
AMBASSADOR'S ENDORSEMENT

EMBASSY OF THE
UNITED STATES OF AMERICA

November 27, 2000

Mrs. Vivian Lowery Derryck
Assistant Administrator for Africa
U.S. Agency for International Development
Washington, DC 20523

Dear Vivian,

I am pleased to endorse USAID/Kenya's Integrated Strategic Plan 2001 – 2005. This plan is a product of our Country Team, and it reflects the priorities in our Mission Performance Plan. Moreover, it does an excellent job of describing the complementarity of the work among all U.S. agencies and Embassy sections here in Nairobi promoting United States interests.

Most important of those interests are democratization, economic development, and global issues like protecting biodiversity and fighting HIV/AIDS – the targets of USAID's strategic objectives.

This is an exciting time for Kenyans and for the American Embassy in Kenya. While the country is suffering from economic decay and decades of bad governance, signs of new hope abound. Kenya now has a free press, and public discourse is far more open than it was just a few years ago. Civil society is quite vocal in demanding change. Even Kenya's National Assembly is showing signs of independence. Since the appointment of a small "Reform Team" atop the civil service last year, the Kenyan government has moved smartly to put a significant set of governance reforms in place. And, for the first time, the Kenya Anti-Corruption Authority is independently exposing corrupt public officials. In short, this is a time of change. And, with new national leadership mandated for the 2002 elections, now is the time to help Kenyan reformers prepare their country for a better future.

This Integrated Strategic Plan responds boldly to these challenges and opportunities. It continues and builds upon USAID program successes in crucial areas like family planning, smallholder agriculture, microenterprise development, and HIV/AIDS. But it also expands our influence in significant new directions. The democracy and governance program, for example, continues to strengthen civil society (the demand side) but now also increases the independence and effectiveness of key institutions of governance (the supply side), beginning with the National Assembly.

It broadens USAID's agriculture program with a new emphasis on empowering farmers through membership-based organizations that truly represent their interests. It proposes a new strategic objective in natural resources management, focusing on helping communities on the periphery of Kenya's national parks to share responsibility for conserving the country's precious biodiversity. And it commits increasing resources to the fight against HIV/AIDS – a battle for national survival.

I recommend this Integrated Strategic Plan for your approval and urge you to commit sufficient resources, including staff and operating budget, for its effective implementation.

Sincerely,

Johnnie Carson,
Ambassador

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Acronyms and abbreviations

ADRA	Adventist Development and Relief Agency	I-PRSP	Interim Poverty Reduction Strategy Paper
AFR/SD	Africa Bureau, Office of Sustainable Development (USAID)	IR	Intermediate result
AIDS	Acquired Immune Deficiency Syndrome	ISP	Integrated Strategic Plan
AMREF	African Medical and Research Foundation	KACA	Kenya Anti-Corruption Authority
ARI	Acute respiratory infections	KANU	Kenya Africa National Union
ASAL	Arid and semi-arid lands	KARI	Kenya Agricultural Research Institute
AWF	African Wildlife Foundation	KDHS	Kenya Demographic and Health Survey
BDS	Business development services	KEMRI	Kenya Medical Research Institute
BTS	Blood transfusion services	KEMSA	Kenya Medical Supplies Agency
CA	Cooperating agency	KENET	Kenya Education Network
CBD	Community-based distribution	KMTC	Kenya Medical Training College
CBO	Community-based organization	KSPA	Kenya Service Provision Assessment
CDA	Coast Development Authority	K-REP	Kenya Rural Enterprise Program
CDC	Centers for Disease Control	KHPA	Kenya Health Provision Assessment
CITES	Convention for the International Trade of Endangered Species	KPF	Kenya Pastoralist Forum
COBRA	Conservation of Biodiverse Resource Areas	KWS	Kenya Wildlife Service
COMESA	Common Market for East and Southern Africa	LIFE	Leadership and Investment in Fighting an Epidemic
CPR	Contraceptive prevalence rate	LiMiD	Like-Minded Donors group
CS	Child survival	M&E	Monitoring and evaluation
CSO	Civil society organization	MAC	Mission accounting and control system
CSP	Country Strategic Plan	MFI	Microfinance institution
DANIDA	Danish International Development Agency	MIS	Management information systems
DCM	Deputy Chief of Mission	MOH	Ministry of Health (GOK)
DDG	Democratic Development Group	MP	Member of Parliament (GOK)
DFID	Dept for Foreign and International Development (UK)	MRU	U.S. Army Medical Research Unit
DG	Democracy and governance	MSE	Micro- and small enterprise
DTC	Decentralized training centers	MSI	Management Service International
EAC	East African Community	NACC	National AIDS Control Council (GOK)
ECK	Election Commission of Kenya	NGO	Nongovernmental organization
EDDI	Education for Development & Democracy	NRM	Natural resource management
EGG	Economic Governance Group	NSE	Nairobi Stock Exchange
ESABO	East and Southern Africa Business Org.	NTAE	Non-traditional agricultural exports
ESAF	Enhanced Structural Adjustment Facility	OE	Operating expense
ESF	Economic Support Funds	OFDA	Office of Foreign Disaster Assistance
EU	European Union	OYB	Operating year budget
EXO	Executive Office (USAID)	PA	Protected area
FAS	Foreign Agriculture Service (USDA)	PAC	Postabortion care
FBI	Federal Bureau of Investigation	PACT	Participating Agencies Collaborating Together
FEWS	Famine Early Warning System	PAWS	Protected Areas Wildlife Service
FP	Family planning	PMP	Performance monitoring plan
FSN	Foreign service national	PRGF	Poverty Reduction and Growth Facility
FTE	Full time equivalent	PSC	Parliamentary Service Commission
FY	Fiscal year	PVO	Private voluntary organization
GDP	Gross Domestic Product	REDSO	Regional Economic Development Support Office (USAID)
GHAJ	Greater Horn of Africa Initiative	RFMC	Regional Financial Management Center (USAID REDSO)
GOK	Government of Kenya	RH	Reproductive health
GTZ	German Technical Cooperation (Deutsche Gesellschaft für Technische Zusammen arbeit)	SIDA	Swedish Int'l Development Agency
HIV	Human Immunodeficiency Virus	SO	Strategic objective
IFPRI	Int'l Food Policy Research Institute	STD	Sexually transmitted diseases
IFRC	International Federation of the Red Cross	STI	Sexually transmitted infections
IGAD	Intergovernmental Authority of Development	TB	Tuberculosis
IMCI	Integrated management of childhood illnesses	TFR	Total fertility rate
IMF	International Monetary Fund	UNDP	United Nations Development Program
IPPG	Inter-Parties Parliamentary Group	UNFPA	UN Population Fund
		USAID	U.S. Agency for International Development
		USDH	U.S. direct hire
		USG	United States government
		WTO	World Trade Organization

EXECUTIVE SUMMARY

U.S. foreign policy interests in Kenya

Kenya is the most important country in the Greater Horn of Africa. It is an island of relative stability in a sea of conflict. The potential engine of growth for the region, Kenya has the area's largest and most diversified economy. Its infrastructure, although weakened by neglect, is the economic lifeline of much of East and Central Africa, a regional market of more than 180 million people. Kenya was a reliable partner of the West throughout the Cold War and has since been a voice of reason and moderation on global issues ranging from terrorism to nuclear proliferation to conservation of biodiversity.

The United States' most important foreign policy interests in Kenya are:

- *Combating transnational threats* to our national security, especially international terrorism, the transshipment of illegal drugs (increasingly to America), HIV/AIDS, and threats to biodiversity.
- *Providing humanitarian assistance* to refugees, who currently number 200,000 in Kenya.
- *Promoting economic development.* A more prosperous and healthy Kenya will be more stable, will become more attractive for trade and investment with American businesses, and could become an engine of growth for the entire East African region, especially Uganda, Rwanda, Burundi, and Tanzania.
- *Supporting democratization.* A more democratic and well-governed Kenya will, in the long-run, remain a stable and reliable partner of the United States. A government more responsive to the people and respectful of human rights will improve the quality of life of the average Kenyan citizen.
- *Protecting the thousands of Americans* who live in or travel through Kenya.

In all of these areas, the scope of U.S. interests managed from Nairobi extends far beyond Kenya's borders, and Kenya's

success or failure in facing its many challenges will have a substantial impact on American interests throughout the region. The American Embassy encourages the government of Kenya to take an increasingly active role in the mediation of regional conflicts, particularly in Sudan and Somalia. That role helps create a more peaceful regional environment in which to pursue humanitarian, democratic, and economic interests. The Mission's HIV/AIDS health programs target a killer disease, which, if unchecked, will undermine stability and jeopardize economic and democratic progress not only in Kenya but also in the region. Regional economic integration can only succeed if Kenya, the linchpin of the Greater Horn of Africa, is among the leaders.

Recent country trends

The quality of life of the average Kenyan has deteriorated over the past decade. Per capita income has declined, and income distribution has worsened. Unemployment, especially in urban areas, is a major source of rising social tension and escalating crime and insecurity. Close to half of Kenyans now live below the poverty line. The country is not sustaining, let alone improving, the gains achieved in past decades in social indicators such as school enrollment, infant mortality, and life expectancy.

This decline in living conditions has resulted largely from economic stagnation. Lax fiscal policy prior to the 1997 elections led to a rapid build-up of short-term government debt that, in combination with the International Monetary Fund's 1997 decision to suspend its Enhanced Structural Adjustment Facility (ESAF), translated into lending rates in excess of 20 percent in real terms. Corruption, deteriorating infrastructure, and a perennially inefficient public sector have also combined to increase the costs of doing business in Kenya, resulting in low domestic

and foreign direct investment. Growth in gross domestic product fell from 4.6 in 1996 to 1.4 percent in 1999.

The Kenyan government began to get serious about improving economic governance in 1999. Motivated largely by the need to resume an IMF lending program and increase assistance from bilateral donors and the World Bank, President Daniel arap Moi appointed a "Reform Team." Headed by Dr. Richard Leakey, the new Head of Public Service, the team includes a nucleus of top civil servants drawn from the private sector and international organizations. Dr. Leakey has fired numerous corrupt or inefficient public officials in the last year and a half, and the team is leading a bold program of downsizing the public service and instituting improved controls on public expenditures. Also in 1999, the President appointed the first credible Director of the Kenya Anti-Corruption Authority, which is investigating scores of alleged abusers of the public trust and has recently turned in its first indictments. While these are very encouraging moves, it remains to be seen how far-reaching this reform program will be.

Another cause for hope is the liberalization of Kenya's political environment. Multiparty elections were restored in 1992. Just as significant, the country's press is free and feisty, and public discourse has become much freer and more critical of the establishment in the last four years. A lively and growing civil society is demanding enforcement of human rights and governance that is more responsive to the people. Still, power remains very much concentrated in the executive branch of government. While the National Assembly has shown signs of increasing independence in the last year, it cannot become an effective check on the executive without constitutional reform. That process is bogged down in a protracted dispute over who will lead it. The courts remain corrupt and inefficient, although the government is finally developing plans for reform of the legal system.

Other trends are more disturbing. While Kenya can boast the most rapid reduction in human fertility anywhere in Africa, the HIV/AIDS pandemic casts a pall over the future of the nation. One in seven adults is now HIV-positive, and morbidity is increasing. Only in the last year has the GOK

squarely faced the crisis and begun to devote sufficient resources (especially political will and moral reserves) to this battle for the survival of a nation. Only slightly less alarming is the rising trend to violent conflict, especially in the sparsely populated northern half of the country but also in urban centers, fueled by an influx of arms and refugees from the region.

This mix of trends, bleak and hopeful, creates a complicated setting in which Kenyan leaders and foreign donors must make tough choices about development priorities.

Constraints to sustainable development

Kenya remains a poor country for many reasons.

Democracy and institutions of governance

Power and authority are overly concentrated in the executive branch. As a result, there are inadequate checks and balances on inefficiency and malfeasance and inadequate incentives to govern responsively and for the public good. The legislature is not fully independent, nor is it effective in carrying out its legislative or oversight responsibilities. The judiciary is plagued by corruption and inefficiency. Local government is largely an implementing arm of the executive branch of the national government, rather than an autonomous authority responsive to local communities.

A political regime primarily concerned with perpetuating its own power also fails to ensure basic human rights, to effectively carry out the most basic of government functions (provision of security and basic services and rule of law), and to enlist the potential positive energies of its population in nation-building. Governance that is more efficient, transparent, accountable, and responsive to the people is Kenya's greatest need.

Public administration

Corruption is endemic at the national level and at the level where the average citizen interacts with local regulatory authorities and service providers. Kenya's public service is bloated to the point that salaries and benefits comprise 50 to 55 percent of the government budget. Debt servicing and other statutory

payments comprise another 35 to 40 percent, leaving only about ten percent of revenues for investments and the delivery of public services. A long-overdue major retrenchment of the public service, now in progress, will cost about \$89 million for pensions and incentive packages—more than the government can afford. The GOK over-regulates the private sector, and it poorly manages many large, failing parastatals. This sad state of governance discourages investment and entrepreneurship and deprives citizens of badly needed services.

Policies, laws, and regulations

Inconsistency in policies, laws, and regulatory frameworks adds significantly to costs of doing business and offers powerful disincentives to invest. Some of the Acts governing the agricultural sector, for example, are inconsistent or contradictory. GOK policy supports a liberalized market economy, yet the remaining marketing boards for key agricultural commodities continue to intervene in markets, usually to the detriment of producers. The government's "stop and go" approach to liberalizing key agricultural sectors, such as maize, coffee, tea, and sugar, is wearing away at Kenya's competitiveness and is depressing rural incomes.

Low productivity

Low levels of income are directly related to low levels of labor productivity the world over. In Kenya, this is due largely to under-investment in human resources.

- *Health.* HIV/AIDS, malaria, and other endemic diseases are combining to reverse the gains made in child survival for the last three decades and to decrease life expectancy and labor productivity.

- *Education.* Educational standards have declined for the past decade, particularly at the university level, where political unrest often undermines the quality of higher education. Adult literacy has plateaued at around 75 percent since 1994, and the primary school retention rate has stagnated at 47.2 percent (46.4 percent for boys and 48.1 percent for girls) between 1992 and 1999. The country is mired in a long-running debate over reform of the educational system.

But low productivity in rural areas, where the vast majority of Kenyans live, is also due to high costs of fertilizer, low access to high-yield seed varieties, underdeveloped marketing channels, lack of financial services, and an insufficient adoption of improved technologies, seed varieties, and production practices that are necessary to stay competitive in domestic and international markets.

Rapid population growth

Each year more than a half million young Kenyans enter the labor force, yet the economy is currently generating only 250,000 to 330,000 new jobs annually. In some of the high-production-potential areas, the good agricultural land is being subdivided among heirs to the point where the average land holding is no longer sufficient to support a family. Similarly, population pressure on marginal areas is resulting in overgrazing and increasing conflict between agriculturalists and pastoralists.

While Kenya boasts the most dramatic decline in fertility ever recorded in Africa, the country's family planning program has reached a crucial point. The population of reproductive age is growing rapidly, due to the very high fertility rates of the 1970s and early 1980s. In 1998, for example, 1.5 million young women were 20 to 24 years of age, prime reproductive years. Just to maintain the 1993 contraceptive prevalence rate would require an increase of over 25 percent in family planning users over the next five years. With the population and contraceptive use both growing rapidly, there is a corresponding unmet demand for family planning commodities and services.

HIV/AIDS

Although HIV/AIDS is listed above as an element of Kenya's human resources/labor problem, this pandemic has become such a threat to the nation that it merits its own listing among the constraints to sustainable development. HIV sero-prevalence reached 13.9 percent among Kenyan adults in 1999. The problem and its impact on economic production, quality of life, and the psychological outlook of the average citizen, will only grow. The GOK will increasingly be required to spend money it had budgeted for all health care on AIDS patients. In 1999, the National AIDS Control Programme esti-

mated that by 2000, about half of the country's hospital beds will be required for AIDS patients. As the epidemic spreads, more and more people will be unable to work, further increasing the need for social and medical services. Over the next decade, essential sectors of the Kenyan economy, including agriculture, manufacturing, government, banking, and transportation, will also be affected by the loss of skilled labor. Economists estimate that per capita income could be reduced by as much as ten percent by the end of this decade as a result of AIDS. The GOK has only recently begun to put significant public resources into combating it.

Low levels of investment

Although the stock of foreign investment in Kenya is higher than that of any other country in the region, the levels of new foreign and domestic investment are declining. The ratio of investment to GDP declined from 26 percent in 1981 to 16 percent in 1998. Investment rates must rise from 19 to 25 percent to generate the annual growth rate of six percent by 2003 called for in Kenya's Interim Poverty Reduction Strategy Paper.

The GOK is relying on the recent (July, 2000) resumption of an IMF lending program as an imprimatur of financial health that will help attract more foreign investment to Kenya. While this may help, there remain other major constraints to investment that increase the costs and risks of doing business in Kenya and continue to scare off investors. They include:

- The poor state of Kenya's physical infrastructure.
- Corruption and over-regulation.
- Deteriorating security and law and order.

Economic infrastructure

Kenya's inefficient and dilapidated infrastructure discourages new investment and significantly reduces the profitability of existing farms and businesses. And the regional implications are growing, as 50 to 60 percent of the cost of goods in Uganda, Rwanda, and Burundi are accounted for by port and transport charges from Mombasa to inland destinations.

The national road system has been in decline for years, increasing transportation costs and removing some formerly produc-

tive agricultural areas from competitive markets. A three percent tax on gasoline goes into a road maintenance levy that is not fully utilized, due to paralysis in the procurement system for construction services. A new Kenya Roads Board began operations in June 2000 and may eventually reduce corruption in the contracting process and the government's tendency to neglect roads in areas dominated by the political opposition.

Kenya Railways moves less than 20 percent of the nation's freight. The single railway line is old and in unsafe condition, resulting in frequent serious accidents. Outdated locomotives and rolling stock, and poor management keep operations unsafe and unprofitable. Plans for a much-needed privatization are in the early stages.

Poor management, inadequate facilities, outdated equipment, and corruption have all reduced the quality of services at the Port of Mombasa. New top management may improve operations somewhat in the short run, but significant efficiencies may only come with the longer-term plans for privatization of certain port operations.

Kenya does not generate enough power for household, agricultural, and industrial use, which limits production and discourages investment. The on-going drought has necessitated serious power rationing which will increase costs and reduce profits for Kenyan manufacturers and other enterprises that rely heavily on power. Recent promising developments include the split of Kenya Power and Lighting Co. Ltd. into separate generating and distribution companies, liberalization of the sector to induce several independent power producers to enter the industry, and start of construction of two new thermal generating facilities.

While Kenya's telecommunications infrastructure is big compared with those of its neighbors, its growth has been hampered by poor management, inefficiency, and corruption. Telephone service is dismal, and cell phones are expensive. Internet services are slow and costly, hindering the growth of education and e-commerce and hampering the ability of Kenyans to access and benefit from the global information infrastructure. The giant state posts and telecommunications empire has also recently been split into

three entities and the telephone company is in the process of being privatized.

Vulnerability to drought

Recurrent droughts affect the lives of millions of Kenyans, lowering agricultural production, depleting livestock herds, degrading rural incomes, and retarding economic growth. Kenya, therefore, endures the disruptive cycles of drought, relief, recovery, and rehabilitation. Particularly hard hit are the pastoral areas of the north, although in times of severe drought even the high-potential agricultural areas can be severely affected. In the past, the GOK was heavily criticized for its mismanagement and politicization of food aid distributions, spreading scarce food resources far and wide with little evidence of targeting those most in need. Much of this changed in 1999, when, at the urging of the donors, the GOK began allocating food aid to NGOs to distribute to the neediest households through community relief committees. That system has worked well and saved many lives during the 2000 drought. The GOK's policy on maize tariffs and duties, however, inhibits the timely import of maize in times of need and results in high maize prices for both rural and urban consumers.

Environment

Kenya's extraordinary wildlife and its habitats are under continual threat from the pressure of rapidly increasing human populations and illegal exploitation by loggers, fishing trawlers, and poachers. Kenya's natural resource base is also critical to the agricultural sector, which provides livelihoods for some 70 percent of the population. Yet, many agricultural and grazing lands and forests are declining in quality from overuse and encroachment. Sedentary farmers are expanding into marginal areas, resulting in decreased yields, increased degradation of land, and increased conflict among users of resources. Encroachment of agriculture into watershed zones is causing sedimentation of estuaries and threatening coastal resources. These problems are compounded by the lack of a coherent land use policy and legislative framework. More sustainable shepherding and use of these resources by the government and by the populations that live on and

adjacent to them is a prerequisite to long-term sustainable development.

USAID/Kenya response

Based on U.S. foreign policy interests and the development constraints articulated above, USAID/Kenya has identified four strategic objectives for the 2001 to 2005 period. Clearly, the United States does not have adequate resources to address all the constraints to Kenya's development. The Mission must concentrate its resources where they can have a measurable impact on the most fundamental problems that are amenable to American assistance. Other problems must be addressed by the government of Kenya, the private sector, international financial institutions, or other donors.

Strategic Objective 6:

Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance

This strategic objective addresses the fundamental need for structural change in Kenya's political system. For the last five years, USAID/Kenya has worked solely on the demand side of the political development equation in Kenya—strengthening the ability of civil society to effectively demand political, constitutional, and legal reform. That work has succeeded and will continue with an added focus on improving media coverage of political, economic, and other governance issues.

But as the post-Moi era grows close—the Constitution mandates elections no later than December 2002—it is time to help strengthen Kenyan reformers, to make those institutions of governance that can check abuses of power more independent, and to promote popular participation in economic and political decision-making. The Mission will work with the Parliament and (if funding is sufficient) other government institutions to increase their independence from the executive branch and to improve their operational effectiveness so that they can be alternative poles of power in the post-Moi era. A particular focus will be on improving the connections between these institutions and civil society, for example the parliamentary committee system.

Strategic Objective 7:**Increased rural household incomes**

This strategic objective represents USAID/Kenya's effort to help Kenya restart economic growth. Because 80 percent of Kenya's population live in the rural areas and 75 percent are involved in agriculture, any strategy to reduce poverty and increase growth must begin there. Building on four decades of experience in Kenya, USAID/Kenya will:

- Promote increased smallholder productivity in agricultural sub-sectors with high potential for growth and for markets.
- Promote increased agricultural trade.
- Empower farmers by improving the governance and responsiveness of cooperatives and other producer associations that provide business services to members and represent their business interests.
- Promote the growth of micro- and small enterprises, which are critical to rural income and growth.

In the marginal areas, USAID/Kenya and its partners will use monetized PL 480 Title II resources to promote sustainable agricultural production and reduce vulnerability to drought.

Strategic Objective 3:**Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services**

The United States is the leading country in the worldwide war against HIV/AIDS, and Kenyans need the U.S.' full commitment to help them defeat this threat to their nation's future. Any gains made in improving worker productivity and income or in promoting democratic governance will be vitiated or become irrelevant if the HIV/AIDS pandemic is not checked. USAID/Kenya assistance, combined with that of the Centers for Disease Control and the U.S. military, will:

- Reduce key policy, political, and cultural constraints to preventing and mitigating the impact of AIDS and improve the collection of surveillance data that can inform the policy process.
- Improve knowledge and practice of preventive behaviors.

- Increase services for the prevention of HIV/AIDS, including voluntary counseling and testing, and support of its victims.

USAID/Kenya has been the lead donor in Kenya's family planning program since the early 1970s. This assistance has been instrumental in Kenya's rapid fertility decline from 8.1 children born to each woman over her reproductive years in 1976 to 4.7 children in 1998. Although USAID/Kenya is no longer the dominant donor in terms of the volume of resources provided, it is still the most influential in the family planning area. Throughout the planning period, the Mission will expand the availability of integrated family planning, reproductive health, and child survival services and improve service delivery programs through applied research. The Mission will also increase demand for these services through mass media campaigns.

A third emphasis will be on improving management of Kenya's public health sector, which will be increasingly burdened by the demands of HIV/AIDS victims. The Mission will continue to work with the GOK Ministry of Health and key stakeholders to improve policies, management of public resources, and quality of services. Targeted for improvement are the national cost-sharing program, joint GOK-donor planning, and rationalized budgeting at the central, provincial, and district levels.

Strategic Objective 5:**Improved natural resource management in targeted biodiverse areas by and for stakeholders**

Kenya's near-unique natural resource endowment is under continual threat from human encroachment and exploitation. Building on 14 years of experience, USAID/Kenya has carved out a strategic niche in assisting Kenyan communities to help manage these resources—particularly wildlife and their habitats—on the periphery of national parks and reserves. This approach is the best way to guarantee the long-term sustainability of these irreplaceable biodiverse resources. Success in achieving this objective will also contribute significantly to the resumption of economic growth, since tourism is Kenya's second-largest earner of foreign exchange.

**Special Objective 4:
Critical needs met for Kenyans affected
by the Nairobi bombing and capacity built
to address future disasters**

More than 200 Kenyans were killed and 5,000 injured in the horrific terrorist bombing of the American Embassy on August 7, 1998. Scores of businesses were also damaged. In response, the U.S. Congress appropriated \$37.8 million in special assistance to the Kenyan bomb victims and their families. USAID/Kenya activities implemented under this Special Objective are ongoing and should be completed by 2001. They include emergency medical treatment, reconstructive surgery, mental health counseling, physical therapy, assistance to business and building owners in the vicinity of the bombing, and improvements in Kenya's disaster preparedness.

Relationship to regional priorities

Kenya is the most important country in East and Central Africa. Although the Greater Horn of Africa Initiative (GHAI) was designed to deal with problems—war and recurrent famine—more serious than those suffered by Kenya, its success as a regional program depends on the active participation of Kenya. Kenya is a member of the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD), the Common Market for Eastern and Southern Africa (COMESA), and the East and Southern African Business Organization (ESABO). The GHAI program works with these regional organizations to increase their institutional capacities to enhance economic integration and to promote regional solutions to the fundamental problems that have destabilized the Horn of Africa and the Great Lakes Region.

Specifically, GHAI helps the ten countries of the region:

- Strengthen their capacity to enhance regional food security.
- Strengthen their capacity to prevent, mitigate, and respond to conflict.
- Improve access to regional analytical information.

Enhancing regional food security

USAID's SO7, *increased rural household incomes*, is consistent with and fully sup-

ports the GHAI fundamental objective of enhanced regional food security. Through increased agricultural production of both subsistence food crops and cash crops, profitability from empowered farmer organizations, and expansion of micro- and small enterprises, smallholders and other poor consumers will be more likely to meet their families' needs for food. Increased production will make additional food available to other countries in the region. And incremental improvement in the policy regime facing Kenyan farmers, including regional harmonization of tariffs and reductions in non-tariff trade barriers, will also promote achievement of this regional goal. The USAID/Kenya Title II food aid program complements the GHAI objective by linking relief and development. This will be achieved by using locally monetized food to support sustainable community projects that enhance food security for some of Kenya's populations most vulnerable to drought. Title II partners will also work with the GOK and relief and development agencies to cast alternative models for sustainable agriculture in the arid and semi-arid lands.

Conflict

The United States Mission in Kenya contributes to conflict-prevention and mitigation in many ways. GHAI-funded studies have made it clear that much conflict in Kenya is rooted in competition for scarce resources, particularly for land and water. Other conflict is politically inspired. And some crime is the result of the stagnant economy, which is not generating enough jobs.

- At the most fundamental level, the Mission program addresses the long-term imbalance between population and natural resources by helping reduce the rate of population growth (SO3). On the other side of that equation, it promotes conservation of natural resources (SO5) and creates, through micro- and small enterprise, non-agricultural alternatives for income generation (SO7).

- Second, the Mission's democracy and governance program promotes more effective institutions of governance, which may, in the long run, give more Kenyans a stake in the political system and reduce the level of violence. The DG program also strengthens

the capacity of civil society organizations to prevent and resolve conflicts.

- Third, USAID's strategic objective to raise rural household incomes (SO7) is the Mission's most direct contribution to raising Kenya's rate of economic growth, which is the GOK's top priority for reducing poverty, a cause of much of Kenya's criminal activity.

Access to regional analytical information

Support from REDSO and the Leland Initiative has helped USAID/Kenya develop a program, KENET, with the GOK to link 21 universities and research institutions on the Internet. Another regional project, ExecNet, will link the permanent secretaries in Kenya's ministries.

Resources

Program funding

To achieve the results described in this Integrated Strategic Plan, the Mission will need \$30 million in Development Assistance (DA) funds and \$0.5 million in Economic Support Funds (ESF) annually from 2001 through 2005. In addition, the Mission requests \$12 to \$15 million per year in PL480 Title II food aid.

With additional DA resources of \$3 million per year, however, USAID/Kenya will be able to deliver additional results as follows:

Strategic Objective 6

Democracy and governance

USAID/Kenya realizes how scarce DA resources are for democracy and governance programs. If \$4 million per year is not available for DG from the DA account, the Mission will request the difference (or as much of it as possible) from ESF funds. (The Mission is getting \$700,000 in ESF in FY2000, for example.) If total funding for democracy and governance (including ESF, GHAI, and 117(e) Human Rights funds) totals \$4 million per year, the Mission will work with Kenya's Parliament but will not undertake programs with the judiciary, local government, or other institutions of governance. At \$5 million per year (from all spigots), the Mission will pursue institutional development of other Kenyan institutions of governance.

Strategic Objective 5

Rural household incomes

USAID/Kenya requests \$8.6 million per year in the out years versus the Africa Bureau's planning and control level of \$7.6 million. At the higher level, USAID/Kenya will:

- Promote regional trade and standards for seeds.
- Assist in the development of livestock marketing opportunities along Kenya's northern border regions.
- Extend the operation of microfinance institutions into arid and semi-arid lands and expand microenterprise lending and technical assistance in communities with high HIV prevalence rates.

Strategic Objective 3

Population and health

As this ISP goes to press, USAID/Kenya is following official Africa Bureau budget guidance by budgeting SO3 at \$15 million over the planning period. This is considerably less than the Mission received in FY2000 and less than it expects in the future, given Congress's recent appropriation of additional moneys for the fight against HIV/AIDS and this Mission's designation as a "rapid scale-up country" in that battle.

At \$17 million per year for population and health, the Mission, in a typical year, would expect \$7.2 million in population funds, \$7.5 million for HIV/AIDS, and \$2.3 million in child survival funding. The increment of \$2 million would allow the Mission to:

- Intensify geographically-based family planning service delivery to under-served areas and expand social marketing of hormonal contraceptives.
- Expand intensive community-based HIV/AIDS prevention and care programs to additional geographic areas, expand voluntary counseling and testing for HIV/AIDS, and increase social marketing of *Trust* condoms.
- Continue the Bungoma District Initiative to better manage malaria and childhood illnesses and continue to socially market bed nets.

If the Mission receives a substantially larger Plus-Up in HIV/AIDS funding, it will emphasize primary prevention; basic medical care and home- and community-based support; AIDS-affected families and chil-

dren; capacity-building, and multi-sectoral efforts.

Strategic Objective 5

Natural resources management

USAID/Kenya does not request funding for NRM above the planning/control level, unless a portion of those funds is earmarked for purposes beyond the results described in this strategy.

Special Objective 4

Bomb response

This special objective was fully funded in FY1999.

Staffing

With only five U.S. direct hire (USDH) officers, USAID/Kenya is the most severely understaffed (by ratio of program resources to USDH) mission in the Africa Bureau. (Note that a sixth USDH appears on USAID/Kenya's staffing pattern solely for the provision of administrative services to REDSO.) Although the Mission has been able to sustain operations through its motivated and well-trained FSNs, to be well managed and avoid undue vulnerabilities, the Mission requires two additional positions:

- A controller to replace the position eliminated in 1999. USAID/Kenya is the only mission in the Africa Bureau with an annual budget of over \$10 million but with no controller.
- A democracy and governance officer to manage its growing and sensitive DG portfolio.

Operating expenses

At its current USDH staffing level, USAID/Kenya will need \$4.25 million in OE funds in FY2001 and FY2002. However, the USAID/Kenya complex, which includes REDSO and OFDA/ARO, remains underfunded by several hundred thousand dollars. Unless sufficient funding is made available, resources will be stretched and all programs will be adversely affected. With modest inflation, this requirement will rise in FY2003-2005 such that current operations will not be sustainable even with continued improvement in management efficiencies.

USAID/Kenya assumes that, if its requested additional USDH positions are reallocated to Nairobi from another mission, the OE budgets to support those positions will be reallocated with them.

PART I

OVERVIEW

INTRODUCTION

Development of this Integrated Strategic Plan

USAID/Kenya's Integrated Strategic Plan (ISP) document for fiscal years 2001–2005 is a product of intensive consultation and collaboration between the Mission and a wide range of Kenyan customers—rural and urban, men and women of all ages, households and individuals, farmers and formal sector employees. USAID consulted closely with the government of Kenya, the Kenyan parliament and judiciary sectors, USAID/W, the U.S. Embassy Nairobi, REDSO/ESA, other USG agencies (the Department of Agriculture and the Centers for Disease Control, for example), nongovernmental organizations (NGOs), civil society organizations (CSOs), community based organizations (CBOs), churches, private firms, business and neighborhood associations, entrepreneurs, think tanks, legal groups, and international partners including the World Bank, the International Monetary Fund (IMF), and the European Union (EU).

The consultative process formally began in February 1999, when the Mission hosted a one-day workshop with representatives from over 40 implementing partners—private voluntary organizations (PVOs), NGOs, private sector firms, the government of Kenya, universities, and think tanks—to brainstorm on development constraints and opportunities in Kenya and to determine focus areas for USAID's strategic objectives. This workshop was followed by several meetings between each sector team and its customers and beneficiaries.

Working towards the long-term USAID/Kenya Goal of a democratic and economically prosperous Kenya, strategic objectives emerged in four sectors—democracy and governance, economic development, population and health, and natural resource management. The Mission analyzed vast amounts of available data and used

information from comprehensive evaluations and special sectoral assessments to develop the strategy. A Mission retreat, meetings and workshops on strategic planning, monitoring and evaluation, and past experience all helped the Mission conceptualize the program and focus strategic objectives on those areas in which Mission assistance would have the greatest impact.

This ISP, therefore, builds upon past USAID/Kenya program successes in the critical areas of family planning, smallholder agriculture, microenterprise development, natural resources management, and reducing the risk of HIV/AIDS transmission. But this ISP also expands the Mission's program in significant new directions. The democracy and governance program, for example, continues to strengthen civil society, but it will now also focus on increasing the independence and effectiveness of key institutions of governance, beginning with the Kenyan parliament. USAID's agriculture program has been broadened, adding a new emphasis on empowering farmers through membership-based organizations that truly represent their interests. The program proposes a new strategic objective in natural resources management that focuses on helping communities living adjacent to Kenya's national parks to share responsibility for conserving the country's valuable biodiversity. And the program commits increasing resources to the fight against the risk of transmission of HIV/AIDS, which threatens Kenya as a nation in myriad ways.

Part I of the ISP

Part I of this ISP provides an overview of Kenya's assistance environment. It begins by placing Kenya in its regional context and summarizing recent economic, social and demographic, political, and governance trends. This brief analysis is followed by a

discussion of constraints to and opportunities for sustainable development.

Part I then explains the USG response to these development challenges. In the context of USG strategic interests, USAID/Kenya narrowed its focus to define four strategic objectives (SOs) as part of an integrated USG program. USAID/Kenya's strategic objectives are introduced, with matrixes and discussion showing how the strategic objectives work in synergy to address selected USG development priorities. Alternatives which were considered, but not pursued, are also presented.

Linkages of USAID/Kenya strategic objectives to the Mission Performance Plan and to USAID/Washington goals and objectives are discussed, followed by discussions of the ISP's relationship to government of Kenya (GOK) priorities and regional Greater Horn of Africa Initiative (GHAI) priorities. Finally, an overview of USAID/Kenya's customers, partners, and other donors is included.

Part II of the ISP

Part II of the ISP presents, in depth, each of USAID/Kenya's strategic objectives and the intermediate results necessary to those objectives. It also discusses illustrative approaches the Mission will pursue to achieve these results. Discussions on consultative processes, convergence with GHAI, program synergies, gender, and performance monitoring plans are included under each strategic objective.

Part III of the ISP

Part III details the resources required by USAID/Kenya to carry out the proposed programs and interventions described in Part II. These include program funding, operating expenses, and staffing.

Part IV, Annexes

The USAID/W Parameters Cable (Annex I), Environmental Requirements (Annex II), and a Conflict Vulnerability Analysis (Annex III) complete this ISP.

ANALYSIS OF THE ASSISTANCE ENVIRONMENT

KENYA AND THE REGION

Linchpin for regional trade and economic development

Kenya's is the dominant economy in the region. At \$10.5 billion, Kenya's current gross domestic product (GDP) is considerably larger than Uganda's (\$6.9 billion), Ethiopia's (\$5.5 billion), and Tanzania's (\$3.6 billion). Within the broader East and Southern Africa region, Kenya's economy is second only to that of South Africa. According to a 1998 USAID study, Kenya has 82 percent of direct foreign investment in the East African Community (the EAC—Kenya, Tanzania, and Uganda) region and 71 percent of foreign investment in the Inter-governmental Authority of Development (IGAD—Kenya, Uganda, Ethiopia, Eritrea, Sudan, and Djibouti). Domestic investment in Kenya is 47 percent of total investment in the EAC, 40 percent of investment in the IGAD region, and 36 percent of investment in the entire Common Market for East and Southern Africa (COMESA) region. Kenyans are the only people in the region who are making substantial investments in neighboring countries.

Kenya's trade alone totals 70 percent more than the rest of the EAC combined. Kenya has the EAC's strongest, most outward-looking economy, and Kenya is a major trading partner with other EAC members. While manufacturing sales in Kenya have stagnated, increased regional exports have permitted manufacturing production to expand.

Kenya also has the strongest economy of the 21 COMESA members. Kenya's total trade within COMESA is 50 percent larger than that of any other single member. Kenya is the only country in the region that imports from both southern and northern COMESA members. Although Kenya is not a major exporter to the Great Lakes Region, most Great Lakes Region goods pass through Kenya. Deterioration of the Kenyan economy could have a domino effect in countries throughout the region.

Linchpin for regional stability

Kenya is an island of relative stability in a sea of conflict. Kenya was a reliable partner of the West throughout the Cold War and has since been a voice of reason and moderation on global issues ranging from terrorism to nuclear proliferation.

Nairobi, the port of Mombasa, and Lokichogio in northwestern Kenya are key staging grounds for large-scale humanitarian relief efforts in southern Sudan, Somalia, and could serve as such for the Great Lakes region.

Kenya remains crucial to any strategy for sustainable development in the region because of its size, geographical location, and potential. With about 30 million people, Kenya ranks sixth in population among sub-Saharan African countries. Kenya is the potential growth engine for the entire region and, with a better policy environment, good governance, and minimal drought, Kenya could achieve rapid growth on a sustainable basis.

KENYAN TRENDS

Economic background and trends

Structure of the economy

Agriculture dominates the Kenyan economy, accounting for 26 percent of the estimated \$10.5 billion GDP in 1999. On average, the agriculture sector employs over 70 percent of Kenya's labor force, generates 60 percent of all foreign exchange earnings, provides 75 percent of raw materials for industry, and accounts for 45 percent of government revenues. Other sectors' contributions to the 1999 GDP were as follows: trade, 18.7 percent; government services, 14.8 percent; manufacturing, 13.4 percent; financial services 9.6 percent; building and construction, 2.3 percent; and other sectors (residual), 15.2 percent.

Employment

Kenya's total labor force is currently estimated to be 13 million people, three million of whom are unemployed. A large portion of those employed are grossly underemployed. The unemployment problem is compounded by the gap between the estimated 500,000 new job market entrants each year and the 250,000 to 300,000 jobs created, most of which are in the informal sector. Despite high levels of adult unemployment, many Kenyan children are engaged in child labor.

Recent sectoral trends

Both the agriculture and manufacturing sectors grew by a little over one percent in 1999 compared to about 1.5 percent in 1998. This was due to a number of factors, including poor infrastructure—particularly telecommunication services and roads that continued to limit marketed output while increasing the costs of distribution of inputs—unfavorable weather conditions, and mismanagement of a few key agricultural marketing organizations, particularly those in the cash crop sub-sector. Recovery in 2000 will be constrained by drought-induced rationing of power and water.

Despite its dominance as a sector, agricultural growth was negative from 1990 to 1993, mainly reflecting the impact of a prolonged drought, and has averaged only 1.8 percent per annum over the last decade, which is well below the country's population

growth rate. As a result, rural household incomes have stagnated over the last generation and declined in recent years. Some farmers have shifted out of certain crops and some out of agriculture altogether, and off-farm income is becoming increasingly important as a safety net in rural areas.

Expansion of output in the services sector (trade, government services, and finance) has also remained relatively depressed. According to the Central Bank of Kenya, output from trade, restaurants, and hotels expanded by 3.0 percent in 1999, 2.5 percent in 1998, and 4.0 percent in 1997. The slowdown in this sector, compared with previous years, was primarily due to reduced tourism. Government services expanded by 0.8 percent in both 1998 and 1999, down from 1.1 percent in 1997. The government, under pressure from donors and the IMF, is undertaking a civil service reform program that is expected to increase government efficiency and performance.

Finance, insurance, and real estate services grew by only 3.0 percent in 1999 compared to 7.1 percent in 1996, 5.3 in 1997 and 3.2 percent in 1998. The weak performance in that sector was mainly the result of instability of the banking sector following imprudent lending practices that increased the level of non-performing loans. New measures have, however, been introduced to strengthen and improve efficiency in the entire financial sector.

Economic reform

Recent performance

The Kenyan economy performed well over most of the 1964 to 1980 period, with a GDP growth rate of over five percent. However, economic growth slowed in the mid- and late 1970s due to the negative impact of increased oil prices in 1973, the boom and bust cycle in coffee and tea prices from 1976 to 1979, and the second oil shock in 1979. Entering the 1980s, it became clear that significant changes in economic policy were required to address the country's economic crises. Kenya's macroeconomic performance since 1980 has been mixed, with fluctuations in the GDP growth rate, fiscal deficit, balance of payments, and inflation. The best

performance has occurred during or immediately following the periods of stronger implementation of reform measures (1986 to 1989 and 1993 to 1996). Recovery in the second half of 1980s resulted in an average GDP growth rate of five percent, but in the early 1990s the economy fell into a severe recession characterized by highly erratic GDP growth. GDP growth rates, for example, decreased from 4.2 percent in 1990 to 0.5 percent in 1992 to 0.2 percent in 1993.

With renewed reform efforts in 1993, the economy began to recover and attained an average GDP growth rate of 4.2 percent in the 1994 to 1996 period. This major transformation of the economy was due substantive reforms, supported by an IMF Enhanced Structural Adjustment Facility (ESAF), and included the elimination of direct controls on domestic prices, improvement of internal marketing systems, and reforms of external trade and the exchange system by allowing interest and the exchange rates to become market determined. During 1995, however, progress in the implementation of economic reforms began to deteriorate. The 1995/96 fiscal objective could not be achieved as expenditure control and budget management weakened; the rate of public enterprise reform and privatization was slower than expected; civil service reform was not pursued vigorously; and there was no progress in reforms to promote accountability and transparency. Thus, the economy again fell into recession with the real GDP growth rate falling to 2.4 percent in 1997, 1.8 in 1998, and 1.4 percent in 1999.

Although the government projected a GDP growth rate of 2.35 percent for the year 2000, due to the impact of drought on agriculture and the negative impact of severe power and water shortages, it has revised its projections to less than one percent. The decline of economic development in Kenya since the mid-1990s has been a reflection of the combined effect of adverse weather conditions, deepening structural constraints, and low investor confidence, together with other high costs of carrying out business in Kenya due to corruption, deteriorating infrastructure, a bloated public sector, frequent droughts, and low domestic and foreign direct investment. The IMF ceased

lending to Kenya in 1997, due primarily to concerns regarding economic governance.

In the face of deteriorating economic and poverty conditions, in 1999 the government established a "Reform Team," composed of Kenyan experts drawn from the private sector and international organizations, with the mandate to reverse the situation. In early 2000, the focus of the Team was the development of an Interim Poverty Reduction Strategy Paper (I-PRSP), which contained the government's medium-term strategy to reduce poverty. Together with the World Bank-driven Medium-Term Expenditure Framework (MTEF), which aims at improving the management of the public sector, the I-PRSP provided the basis for an IMF Poverty Reduction and Growth Credit (the successor to IMF ESAF programs), and the World Bank Economic and Public Sector Reform Credit, both of which were approved in July, 2000.

Monetary policy

In 1997, implementation of a rational monetary policy was complicated by the suspension of the IMF's Enhanced Structural Adjustment Facility (ESAF). Significant capital outflows resulted, due to uncertainty created by the suspension. The outflows led to a loss of official reserves as the monetary authorities tried to defend the depreciation of the local currency and increased Treasury Bill rates to more than 27 percent. The government implemented stringent monetary policy to keep growth in the money supply at the same level as the production of goods and services. During 1999, general price levels and stability in the banking sector remained the government's top priority. Low targets were set for the money supply and inflation rate. The money supply grew by only 2.8 percent in 1999, which was well within the target of five percent. Further, the path of monetary expansion was programmed to be in line with fiscal policy. In order to achieve the above goals, indirect monetary policy instruments such as minimum cash and liquidity ratios and open market operations were used. Following a sharp decline in interest rates on the 91-day Treasury Bills (from 27.1 percent in October 1997 to 8.9 percent in February 1999), a 20 percent depreciation of the shilling, and

considerable loss of official reserves, the government tightened monetary policy in mid-1999.

Fiscal policy

The government's record on the fiscal front has been mixed over the past 20 years. There have been substantial swings in the fiscal deficit, reflecting the government's difficulties in sustaining fiscal stabilization in the face of economic shocks and inappropriate or inconsistent policies. The revenue-to-GDP ratio stabilized at around 22 percent from 1979/80 to 1992/93, but increased sharply to 27 percent during the 1993/94 to 1997/98 period. In the early 1990s the fiscal position was difficult, with deficits averaging about six percent of GDP, compared to a little over five percent in the second half of the 1980s. Fiscal performance improved over the 1996 to 1999 period. Government expenditure was reduced from almost 30 percent of GDP in 1996 to 27.6 percent in 1998, while domestic revenue increased from 26 to almost 27 percent from 1996 to 1998, largely due to improved tax administration.

Prior to the 1997 elections, inappropriate fiscal policy led to a rapid build-up of short-term government debt that, in combination with the IMF decision to suspend the ESAF, translated into lending rates in excess of 20 percent in real terms in 1998 and 1999. Some of the challenges of the 1997/98 budget were to reduce government borrowing in order to reduce domestic interest rates and achieve greater fiscal discipline by improving the management of public finance. This challenge necessitated tight expenditure controls and matching expenditures to available resources. Due to these measures, the overall deficit was reduced from 2.5 percent in 1997/98 (on a commitment basis and excluding grants) to 0.7 percent in 1998/99. The overall deficit for 1999/2000 was estimated at 0.5 percent of GDP but was recently revised to about 4.0 percent due to increased government expenditures necessitated by recent drought and by the short-term costs of civil service retrenchment. Total government revenue increased from 26 percent of GDP in 1996/97 to 26.7 percent in 1998/99, reflecting further improvements in tax administration, as well as improved transfers from the

Central Bank. The government intends to maintain a revenue-to-GDP ratio of 25 percent over the next three years.

Exchange rate policy

To enhance the country's competitiveness in external markets and attract foreign direct investment, the government removed foreign exchange controls in 1993 and repealed the Exchange Control Act in 1995. Market forces currently determine the exchange rate of the shilling, although the Central Bank occasionally intervenes to ensure stability in the currency market. Since 1995, the value of the Kenya shilling has depreciated against all the major currencies, including a decline of about 35 percent against the U.S. dollar. The weakening of the shilling was attributed partly to poor monetary policy and increased demand pressures for the dollar to finance food and energy related imports.

The external sector

Following the balance of payments crisis of the early 1980s, the external accounts were held in reasonable balance until the late 1980s, when the fiscal deficit rose to about five percent of GDP on average during the 1987 to 1990 period. In 1991 to 1993, however, Kenya faced another severe balance of payments problem, compounded by the suspension of donor support in 1991. Prior to the liberalization of trade and exchange rates in 1993/94, the government addressed this problem by tightening controls on import licenses and access to foreign exchange, and through accumulation of arrears on external debt. With liberalization, however, there was significant inflow of foreign exchange and overall improvement in the country's balance of payments since the mid-1990s. Because of adverse weather conditions, however, the volume of exports contracted by 12 percent from 1997 to 1998 and by an additional 5.2 percent in 1999. At the same time, reflecting weak aggregate demand and a slowing economy, import volumes increased only marginally, by 1.1 percent in 1997, before declining by 3.2 and 6.3 percent in 1998 and 1999, respectively. Due to weak export performance and worsening terms of trade, the current external account deficit (excluding official grants) widened, increasing from 2.1 percent of GDP in 1996 to 4.2 and 4.8

percent in 1997 and 1998, respectively. An increase in the capital account surplus, however, led to a shift in the overall balance of payments from a deficit of \$13 million in 1997 to a surplus of \$74 million in 1998, but a \$22 million deficit emerged in 1999 as aid flows decreased in response to the suspension of donor support. As a result, Kenya's external foreign reserves fell to the equivalent of 2.8 months of imports in 1998 and to 2.6 months in 1999. However, because of the better balance of payments performance since then, official foreign exchange reserves increased to 3.1 months of imports by August 2000.

Debt

Kenya's external debt is relatively stable and declining, but the domestic debt is unstable and rising, which has serious potential economic ramifications. Kenya's domestic debt grew from 36.7 billion Kenyan shillings (Ksh) in 1990 (\$1.6 billion) to Ksh/169.4 billion in 1998 (\$2.8 billion). Currently, the total domestic and external debt stands at \$7 billion, or about 67 percent of GDP, of which an estimated \$2.1 billion is domestic debt and \$4.9 billion is foreign debt. The country is facing a difficult financial situation due to the large principal payments on external debt, high interest on domestic debt, large domestic arrears, and the cost of financing the public sector. The government is currently unable to service its external debt and has requested debt relief by re-scheduling about \$380 million owed to Paris Club members (non-commercial creditors).

Privatization and private sector development

The poor performance of the economy over the years has deepened problems in the private sector. Production of goods and services has declined mainly because of subdued effective demand and contracting regional and international market for Kenyan goods. Output in the manufacturing sector in real terms rose by 1.0 percent in 1999, a growth rate that is below the 1990 to 1999 average of 2.4 percent. Credit to the manufacturing and the commercial sectors was characterized by declining trends in the 1990s. High interest rates, low investor confidence, a difficult business environment, poor infrastructure, and structural weaknesses in the economy made investors shy

away from investing in Kenya. The privatization of public enterprises continued, though slowly. The government has been divesting non-strategic enterprises such as state-owned banks, the national air carrier, the sugar industry, and tea factories. Restructuring of the telecommunications and the energy sectors has been completed. Privatization of these sectors is at an advanced stage, with two cellular phone companies licensed to compete while plans to find a strategic partner for Telkom Kenya are about to be completed. The privatization of the power sector has just started.

Social and demographic trends

The living conditions of the vast majority of Kenyans have not improved or have worsened over the past decade, due largely to economic deterioration. Per capita income has declined, while income distribution has worsened. Unemployment, especially in urban areas, is a major cause of rising social tension and escalating crime and insecurity. The country is not sustaining, let alone improving, the gains made in recent decades in school enrollment, infant mortality, and life expectancy. Growing disparities in access to social services further undercut the living conditions of low-income households.

Population

Kenya's population was estimated to be 28.6 million in 1999. Eighty percent of the population live in rural areas and rely upon smallholder agriculture and livestock production. About 51 percent of the population is female. Kenya's total fertility rate dropped from an average of 8.1 children born to each woman in 1976 to 4.7 children in 1998—the most spectacular decline in fertility ever recorded in Africa. This decline in fertility is primarily due to the increasing number of Kenyan couples using effective contraception—seven percent in 1977 and 31 percent in 1998. Nevertheless, the population continues to grow by 2.2 percent annually, well in excess of recent economic growth rates and far too fast for the country's natural resource base.

Education

The first two decades of independence witnessed steady progress toward equal educa-

tion opportunities for all Kenyans. Enrollment of students in primary and secondary school peaked in 1980, when 3,926,629 children were enrolled in 10,255 schools. Thereafter, enrollment in primary and secondary schools, universities, and technical training institutions all declined. The decline is attributed to the rising cost of education, which is now unaffordable for many poor Kenyans; it is characterized by non-enrollment, low completion rates, and poor transition rates from one level of education to the next. Thirteen percent of the urban poor and 29 percent of the rural poor never attend school. The burden of cost-sharing has had a particularly negative impact on access, equity, and quality of education for poor households. This impact must be taken into consideration when cost-sharing is applied to the very poor.

Health

Between 1969 and 1989, life expectancy rose from 50 to 60 years, but by 1998 it had fallen back to 50 years, due primarily to AIDS. HIV sero-prevalence rose from 4.8 percent of the adult (ages 15 to 49) population in 1990 to 13.9 percent in 1998. It is estimated that about two million Kenyans are currently living with HIV, some 90,000 of whom are children under the age of five.

Following decades of steady progress, mortality of children under age five increased by 25 percent during the 1990s—from 89.2 to 111.5 for every 1,000 births. Malaria continues to be the infectious disease that kills the most children, but HIV/AIDS is becoming an important factor. Immunizations of children aged 12 to 23 months dropped from 79 percent in 1993 to 65 percent in 1998, due to inadequate budgets and poor administration of the public health system.

Water and sanitation

Less than half of Kenya's households have access to safe water and sanitation facilities, and in rural areas, only one third have such access. Although about 70 percent of urban residents are connected to water and sewer systems, actual delivery is unreliable. Sewer systems in most urban areas suffer from constant breaks and leaks. The pollution content of many rivers, streams, and reservoirs is high, making surface water unsafe

for consumption by humans or livestock. In response, the government intends to privatize water schemes to ensure that they are efficiently managed and that they provide reliable service to all.

Security

Kenya has experienced a significant decline in public safety and law and order in recent years, as manifested by increased cattle rustling, drug trafficking, ethnic strife, street crime, and domestic violence and other forms of violence against women and children.

Political trends

Kenya has entered a period of political transition fraught with uncertainty and opportunity. Kenya embarked on this transition in 1991, grudgingly and as a "house divided", when President Moi abruptly and reluctantly responded positively to the united and sustained pressures of domestic opponents and the donor community for multiparty elections. In 1992, when the country held its first multiparty elections in over 25 years, many Western nations began to see the need to support institutions that could facilitate the transition from a one-party state to a more open, liberal political order. Several donors, including USAID, devised strategies to support emerging civil society actors, who were applying pressure on the Kenyan government to make good on the promises of liberalization implicit in the return to multiparty politics.

Since then, the political climate has liberalized considerably. Kenya has a free and competitive press, although broadcast media are still state-dominated outside Nairobi. There is much more civil discourse than there was five years ago; people now speak out critically and openly. But power and authority are still held disproportionately by the executive branch, and structural reform is slow in coming.

Because of the weakness of Parliament and the inability of its opposition-elected members to make meaningful impact, in 1996 civil society organizations began to pursue a parallel agenda of mobilizing their constituencies to support reform. This agenda ranged from the production of a "model constitution" to threats to boycott the

1997 elections and to hold a national constitutional convention. In late 1997, Moi's Kenya Africa National Union (KANU) government yielded again under the unusually united pressure and organized a compromise response. This consisted of a cross-parties agreement under the auspices of the Inter-Parties Parliamentary Group (IPPG), a loose grouping of key KANU and opposition members of Parliament (MPs), for the minimum of legal reforms that would ensure opposition party participation in the 1997 election. One outcome of this process was a growing estrangement of much of organized civil society from the "political class", the parliamentarians, who were perceived to be opportunistic and vulnerable to manipulation. The IPPG produced small but important changes in legislation relevant to the electoral process.

The constitutional reform process has currently stalled over how the 25-person commission to run the process should be constituted and conducted. KANU's aggressive rejection of an agreed-upon formula for the distribution of party seats on a constitutional review commission, followed by a slight concession (agreement to scale back its demands by one seat), brought out multiple cracks in the opposition and its strategy. Civil society, led by religious institutions, is now challenging the government with an independent process, and each side is denying the legitimacy of the other. For its part, the GOK plans to appoint a radically different commission from that agreed to in early negotiations, which will be answerable to Parliament and implicitly under KANU's control. On a more positive side, President Moi has repeatedly said, both privately and publicly, that he intends to step down from office in 2002, in keeping with the Constitution.

The recent passage of a constitutional amendment allowing for creation of an independent Parliamentary Service Commission (PSC) could lead to genuine financial and administrative separation of the legislature from the executive. This would enable the former to play its legislative- and executive-oversight roles far more effectively than has been the case since independence in 1963, and to influence the course of events during the transition period. It is clear

that the next stage in promoting democracy requires attention to the potential role of the parliamentary committees as well as linkage mechanisms to tie civil society organizations into public institutional forums and decision-making processes.

Kenya is being pushed in the direction of significant political change, which holds the potential for democratic advance. The ruling party's need for an acceptable successor to President Moi has fueled some erratic actions on its part, such as the year-long hiatus in the appointment of a vice president. The patronage strategy that has served the present government is beginning to fail. The constituent parts of the ruling coalition, as well as of the increasingly fractious opposition, have less and less to lose by taking independent actions. As a result, even if the constitutional reform process remains stalemated and tensions continue to mount over succession, opportunities for political realignment and reform may also arise, both before and especially after President Moi's departure from power.

Governance trends

Governance issues have become increasingly visible and critical in Kenya. Transparent and accountable management of public resources is key to improved economic performance. Improved governance is also necessary to reestablish the GOK's credibility with foreign investors and the international community and to improve the effectiveness and efficiency of public services.

Kenya has a well-deserved reputation for corrupt and inefficient governance, but there is a growing consensus among the political class that something must be done about it. In the early 1990's, the government closed some important loopholes for rent-seeking by abolishing foreign exchange controls, eliminating price controls, abolishing maize movement controls, and removing import and export licensing. Since the mid-1990s, the government has made efforts to strengthen accountability for use of public resources. In 1997, it established the Kenya Anti-Corruption Authority (KACA) to delve into corrupt practices within the executive, and gave it a credible director in 1999. The

creation of the KACA may be a signal that the government has begun to take the issue of corruption seriously, but the relationship between the courts, the attorney general's office, and the KACA needs to be clarified to the Kenyan public. The government has also taken some direct measures aimed at checking corruption. Several mid-level and senior GOK officials implicated in major public financial scandals have been fired and/or prosecuted over the past year. An independent auditing agency regularly identifies and reports financial irregularities in government accounts. The government recognizes the parliamentary opposition, which helps counterbalance the power of the ruling party. Over 80 percent of members of the Public Investment and Public Accounts Committees—two powerful parliamentary committees that vet government projects and accounts—are opposition politicians. It is also important to note that passage of legislation to establish a parliamentary branch of the Anti-Corruption Committee (ACC) occurred on the basis of a concerted effort by the opposition. The ACC published a report that named public officials involved in corrupt deals and prepared a draft Anti-Corruption and Economic Crimes Bill. The report prepared by the ACC was adopted by Parliament, but with the names of public officials involved in corrupt deals expunged. The government subsequently prepared another Anti-Corruption and Economic Crimes bill, which was different from that prepared by the ACC. The government's bill has not yet been presented to Parliament.

Responding to pressure from donors and from Kenyan civil society, in July 1999 President Moi appointed Dr. Richard Leakey

as Head of the Public Service. A committed reformer and leading opposition figure, Dr. Leakey's task is to reform and downsize the Public Service and improve economic governance. The President simultaneously recruited several other reform-minded officials from the private sector to serve as Permanent Secretaries in key ministries. This Reform Team, as it is now known, has taken bold steps, including sacking some corrupt officials and increasing transparency in GOK tendering and financial operations. The Reform Team intends to strengthen the offices of the Controller and Auditor General and the Attorney General with additional staff and budget appropriations to enhance their oversight capability.

Led by the Change Team, in October 2000 the GOK introduced the Anti-Corruption and Economic Crimes Bill and a Code of Ethics for Public Service to Parliament, which will help curb some of the worst excesses of corruption through disclosure of assets by public officials and prohibitions and penalties for conflict-of-interest by public officials. The Government is also working on expanding the role of audits to public agencies and public enterprises, promulgating modern procurement regulations, and developing a judicial code of conduct.

Although democratic governance and accountability have improved in the last five years, the overall record remains poor. Further progress is needed to improve transparency in the allocation of public expenditures, stop the significant misuse of public funds, strictly enforce current procedures in procurement of contracts, and institute a code of conduct for the civil service.

CONSTRAINTS TO SUSTAINABLE DEVELOPMENT

The vast majority of Kenyans are poor, and many have a declining quality of life. The chief reasons are:

- Low levels of productivity in the workplace, due largely to insufficient investment in human resources.
- Low levels of savings and investment.
- Inadequate and crumbling economic infrastructure.
- Underdeveloped institutions of democracy and governance, characterized by over-centralized authority, inadequate popular participation in political and economic decision-making, and insufficient guarantees of human rights.
- An inefficient and corrupt public sector that wastes resources and fails to provide basic public services.
- A poor policy, legal, and regulatory regime that adds significantly to the costs of production.
- Continuous power and water rationing that constrains production of goods and services.
- Too many new entrants to the job market.
- An HIV/AIDS pandemic that continues to grow.
- Vulnerability to drought.
- Misuse of the country's natural resource base.

Kenya must deal with all of these problems if it is to resume acceptable levels of economic growth and improve the quality of life for its citizens. Despite these serious constraints, USAID/Kenya programs have ameliorated many development constraints in the past, and the activities proposed in this ISP, will, the Mission believes, help Kenya address these constraints in the future.

Over the past three years, the USG bilateral relationship with the GOK has continued to improve. For example, largely as a result of the American Embassy's sustained campaign of private conversations with President Moi and other key decision-makers, and a major effort in public diplomacy to increase HIV/AIDS awareness, the GOK has finally acknowledged the seriousness of the HIV/AIDS epidemic. It is important, therefore, that the Mission maintains a constructive working relation-

ship with Kenya as it presses the GOK for substantial reforms on a number of fronts.

Kenya is undergoing major transitions in three areas: political structures, economic governance, and political leadership. This much change can be destabilizing unless a combination of domestic political will and external assistance can turn uncertainty into opportunity. Public demonstrations in the 1997/1998 period forced the GOK to move grudgingly in the direction of further political liberalization. And now the effects of years of economic stagnation are giving the government the incentive to make tough choices about reforming economic governance. The challenge for Kenyan reformers and their supporters is how to sustain domestic political pressure and create political will for change. Productive outcomes to these transitions will ultimately depend on Kenyan capacity and commitment to change. Civil society activism has kept issues related to democratic reform on the front burner, but effective public institutions that can exercise independent power and provide oversight of executive action are also required to move Kenya peacefully through these transitions. Following are the key constraints to and opportunities for sustainable development.

Democracy and institutions of governance

Power and authority are overly concentrated in the executive branch of the government of Kenya. As a result, there are inadequate checks and balances on inefficiency and malfeasance, and inadequate incentives to govern responsively and for the public good. The legislature is not fully independent, nor is it effective in carrying out its legislative or oversight responsibilities. The judiciary is largely corrupt and inefficient. Local government is an implementing arm of the executive branch of the GOK, rather than an autonomous authority responsive to local communities.

A political regime primarily concerned with perpetuating its own power also has serious shortcomings in its commitment to ensure basic human rights, to effectively

carry out the most basic functions of government—security and rule of law—or to enlist the potential positive energies of its population in nation-building. Kenya's greatest need is governance that is more efficient, transparent, accountable, and responsive to the people.

Public administration

Corruption is endemic at both the national level and the level at which the average citizen interacts with local regulatory authorities and service providers. The GOK regulates the private sector and it manages some remaining and inefficient parastatals poorly. This sad state of governance discourages investment and entrepreneurship, and deprives citizens of badly needed services.

Kenya's public service is bloated to the point that salaries and benefits comprise 50 to 55 percent of the government budget. Debt servicing and other statutory payments comprise another 35 to 40 percent, leaving only about ten percent of revenues for investments in public infrastructure and the delivery of actual public services. A long-overdue major retrenchment of the public service has just begun that will cost about \$89 million for pensions and incentive packages. Donors (for example, the UK) will provide some funding to finance retrenchment costs.

Enabling environment

Inconsistency in policies, laws, and regulatory frameworks adds significantly to costs of production and offers powerful disincentives to invest and produce. For example, many of the acts governing the agricultural sector are inconsistent or contradictory. GOK policy is often supportive of a liberalized market economy, yet the remaining marketing boards for agricultural commodities continue to intervene in markets, usually to the detriment of producers. The government's "stop and go" approach to liberalizing key agricultural sectors like maize, coffee, tea, and sugar is wearing away at Kenya's competitiveness in export markets and depressing rural incomes.

One of the biggest stumbling blocks has yet to be overcome: the GOK's policy on maize tariffs and duties. Vested interests

continue to dominate timing of decisions on the lifting of such tariffs and duties, resulting in high food prices and disincentives for the Kenyan private sector to import maize at any time.

Low productivity in the workplace

Low levels of income are directly related to low levels of labor productivity the world over. In Kenya, this is due largely to underinvestment in human resources.

- HIV/AIDS, malaria, and other endemic diseases are combining to reverse the gains made in child survival for the last three decades and to decrease life expectancy and labor productivity.

- Education standards have declined for the past ten years, particularly at the university level, where political unrest often supersedes the quality of higher education. Adult literacy has leveled off at around 75 percent since 1994, and the primary school retention rate stagnated at 47.2 percent between 1992 and 1999. The country is mired in a long-running debate over reform of the educational system.

But low productivity in rural areas, where most Kenyans live, is also due to high costs of fertilizer, underdeveloped marketing channels, lack of financial services, and insufficient adoption of the improved technologies, seed varieties, and production practices that are necessary to stay competitive in domestic and international markets.

Rapid population growth

Each year over a half million young Kenyans enter the labor force, yet the economy is currently generating only 250,000 to 330,000 new jobs per year. In some high production potential areas, good agricultural land is being subdivided among heirs to the point where the average land holding is no longer sufficient to support a family. Similarly, population pressure on marginal areas is resulting in overgrazing and increasing conflict between crop producers and grazers.

While Kenya boasts the most dramatic decline in fertility ever recorded in Africa, the country's family planning program has reached a crucial point. The reproductive age population is growing rapidly due to the very high fertility rates of the 1970s and early

1980s. In 1998, for example, 1.5 million women were aged 20 to 24, prime reproductive ages. Just to maintain the 1998 contraceptive prevalence rate would require an increase in family planning users of over 25 percent over the next five years. As both population and contraceptive use growing rapidly, there is a corresponding unmet demand for commodities and services.

HIV/AIDS

Although HIV/AIDS is listed above as an element of Kenya's human resources and labor problem, the pandemic has become such a threat to the nation that it merits its own place among the constraints to sustainable development. HIV sero-prevalence reached 13.9 percent among Kenyan adults in 1999. The problem and its impact on economic production, quality of life, and the psychological outlook of the average citizen will only grow. The GOK will increasingly be required to spend money it had budgeted for all health care on AIDS patients. In 1999, the National AIDS Control Programme estimated that by 2000, about half of the country's hospital beds will be required for AIDS patients, based on previous trends. Increasing numbers of people will be unable to work as the epidemic spreads, further increasing unmet need for social and medical services. Over the next decade, essential sectors of the Kenyan economy could also be affected by the loss of skilled labor, including the agriculture, manufacturing, government, banking, and transportation sectors. Financial analysts estimate that per capita income could be reduced by as much as ten percent by the end of this decade as a result of AIDS. The GOK has only recently begun to publicly recognize the dimensions of this tragedy and to put significant public moral authority and other resources into combating HIV/AIDS.

Investment

Although the stock of foreign investment in Kenya is higher than that for any other country in the region, levels of new foreign and domestic investment are declining. The ratio of investment to GDP declined from 26 percent in 1981 to 16 percent in 1998. This investment rate must climb to 25 percent to

generate the annual growth rate of six percent by 2003 called for in Kenya's Interim Poverty Reduction Strategy Paper.

There is, however, a positive sign. The mid-2000 resumption of the IMF lending program to Kenya was an imprimatur of financial health that will help attract more foreign investment to Kenya. While this may well help, there are other major constraints to investment that increase the costs and risks of doing businesses in Kenya and continue to scare off investors. They include:

- The poor state of Kenya's physical infrastructure.
- Corruption and over-regulation.
- Deteriorating security, law, and order.

While the commercial banking sector has been largely privatized over the past decade, the financial sector is poorly regulated and inefficient. The two remaining large banks that are still substantially owned or managed by the government are burdened by huge volumes of long-overdue loans to borrowers with political connections. The smaller entrepreneurs, who are likely to be the backbone of any resurgence in economic growth and employment, are poorly served by the commercial banks. It is critical that the commercial banking sector learn from the successes of profitable NGO microenterprise financial institutions.

Economic infrastructure

Kenya's inefficient and dilapidated infrastructure discourages new investment and significantly reduces productivity and the profitability of existing farms and businesses. And the regional implications are growing, as 50 to 60 percent of the cost of goods in Uganda, Rwanda, and Burundi are accounted for by port and transport charges from Mombasa to the inland destinations.

The national road system has been in decline for years. Resulting increases in transportation costs are causing reductions in industrial production and removing some formerly productive agricultural areas from competitive markets. Lack of financial resources is not the only constraint. A three percent tax on gasoline goes into a road maintenance levy that is not fully utilized, due to paralysis in the procurement system for construction services. A new Kenya

Roads Board became operative in June 2000 and may eventually instill accountability in the contracting process and reduce the government's tendency to neglect roads in areas dominated by the political opposition. Another hopeful sign is recent improved enforcement of axle load limits on trucks, which for years have accelerated wear and tear on roads due to overloading.

Kenya Railways moves less than 20 percent of the nation's freight. The single railway line is old, unprofitable, and in poor and unsafe condition, resulting in frequent and serious accidents. Plans for a much-needed privatization are in the early stages.

Poor port management, inadequate port facilities, outdated equipment, and corruption have all adversely affected the delivery of quality services at the Port of Mombasa. New top management may improve operations somewhat in the short run, but significant efficiencies may only come with the longer-term plans for privatization of certain port operations.

Kenya does not generate enough power for household, agricultural, and industrial use, which limits production and discourages investment. The ongoing drought has necessitated serious power rationing, which has increased production costs, reduced output, and cut profits. Recent promising developments include the split of Kenya Power and Lighting Co. Ltd. into separate generating and distribution companies, liberalization of the sector to induce several independent power producers to enter the industry, and start of construction on two new thermal generating facilities. The World Bank also has recently approved a \$72 million loan to finance electricity and fuel purchases to address the ongoing power supply crisis that is crippling economic activities and hindering the delivery of social services.

While Kenya's telecommunications infrastructure is big compared to those of its neighbors, its growth has been hampered by poor management, inefficiency, and corruption. Internet services are slow and costly, hindering the growth of education and e-commerce and hampering the ability of Kenyans to access and benefit from the global information infrastructure.

The giant state posts and telecommunications empire has recently been split into three entities to pave way for much-needed privatization, and the GOK has awarded contracts to two international cellular telephone companies.

Vulnerability to drought

Drought is a regularly recurrent phenomenon in Kenya and the region, occurring every three to five years. Kenya's agricultural system, like that of many of its East African neighbors, is almost exclusively rain-fed, with very limited areas under irrigation. Drought affects the lives of millions of Kenyans. Drought lowers agricultural production, depletes livestock herds, degrades rural incomes, and retards economic growth. Kenya endures the disruptive cycles of drought, relief, recovery, and rehabilitation. Significant monetary and human resources are expended in response to drought. Particularly hard hit are the pastoral areas of northern Kenya, although in times of more severe drought, such as 1999/2000, even the high potential agricultural areas can be severely affected. Recurrent episodes of drought erode livelihoods of inhabitants in the affected areas, often with little recovery time between one episode and the next.

In the past, the GOK's response was heavily criticized for politicization and mismanagement of food aid distributions, spreading scarce food resources far and wide with little evidence of targeting those most in need. There were also credible allegations that some food aid was stolen by local officials.

Much of this changed in August 1999, when the Office of the President initiated a major shift in its policy for drought management. Food aid, whether from the GOK, donors, or NGOs, is now to be allocated to lead NGOs in each affected district. Allocations to households are now to be done by community committees selected by each community. There are serious efforts by the GOK to support targeting of those most in need and to monitor situations closely.

Environment

After its people, Kenya's natural resource base is its most valuable resource. Most prominent are its fauna—the animals, birds, and fish that attract nearly a million tourists to the country each year. But these animals and their habitats are under continual threat from mismanagement, the pressure of rapidly increasing human populations, and rapacious illegal exploitation by loggers, fishing trawlers, and poachers.

Kenya's natural resource base is also critical to its agricultural sector and is the basis for Kenya's economic development. It provides a livelihood for some 70 percent of the population, yet many agricultural and grazing lands and forests are declining in quality from overuse and encroachment. Sedentary farmers are expanding into marginal areas, where decreased yields, increased degradation of the natural resource base, and increased conflict among users of

resources can be expected. Expansion of agriculture into watershed zones—the Tana River basin, for example—is causing sedimentation of estuaries and threatening coastal resources. These problems are compounded by the lack of a coherent land use policy and legislative framework. More sustainable shepherding and use of these resources by the government and by the populations that live on and adjacent to them is a prerequisite to long-term sustainable development.

Opportunities exist to ameliorate these trends, particularly in light of the Kenyan people's increasing awareness of and concern for their vanishing natural resources—and the hew and cry raised every day on the front pages of the national newspapers over the illegal, irresponsible, and unsustainable appropriation of publicly held lands and resources.

AN INTEGRATED RESPONSE

UNITED STATES PRIORITIES IN KENYA

Foreign policy interests

A stable country in a volatile region, Kenya is a reliable ally that remains important to U.S. interests. Kenya is the point of access for military and relief operations in the Horn of Africa and in Central Africa. Kenya is also the economic linchpin of East Africa. There are more than 75 American companies, representing investments of almost \$300 million doing business in Kenya and pursuing opportunities in East and Central Africa. As more fully articulated in the Mission Performance Plan, the U.S.' most important foreign policy interests in Kenya are:

- **Combating transnational threats** to our national security, especially international terrorism, the transshipment of illegal drugs (increasingly to America), HIV/AIDS, and threats to biodiversity.
- **Providing humanitarian assistance** to refugees (currently 200,000 in Kenya), and to the Greater Horn of Africa. Nairobi, the port of Mombasa, and Lokichokio in northwestern Kenya are key staging grounds for large-scale humanitarian relief efforts reaching southern Sudan, Somalia, and, potentially, the Great Lakes region.
- **Economic development.** A more prosperous and healthy Kenya will be more stable, will become a more attractive locus for trade and investment with American businesses, and could become an engine of growth for the entire East African region, especially Uganda, Rwanda, Burundi, and Tanzania.
- **Democratization.** A more democratic and well-governed Kenya will, in the long run, remain a stable and reliable partner of the United States. A government more responsive to the people and respectful of human rights will improve the quality of life of the average Kenyan citizen.
- **Protecting the thousands of Americans** who live in or travel through Kenya.

In all of these areas, the scope of U.S. interests managed from Nairobi extends far beyond Kenya's borders, and Kenya's success or failure in facing its many challenges will have a substantial impact on American interests throughout the region. The Embassy encourages the government of Kenya to take an increasingly active role in the mediation of regional conflicts, particularly in Sudan and Somalia, and thus to help create a more peaceful regional environment in which to pursue humanitarian, democratic and economic interests. USAID/Kenya HIV/AIDS health programs combat a killer disease, which, if unchecked, will undermine stability, and jeopardize economic and democratic progress not only in Kenya but in the larger region as well. Regional economic integration can only succeed if Kenya—the linchpin of the region—is among the leaders.

Development priorities

Kenya will, for the foreseeable future, remain the most likely engine of growth and the political hub of the Greater Horn of Africa. Its progress will continue to affect prospects for trade, investment, economic prosperity, and stability throughout the region. It is in the United States' interest to see the economies of Kenya and the East and Central Africa region grow and to see democracy deepen.

USAID/Kenya has had to carefully choose its strategic objectives and program interventions to promote U.S. interests and to have a significant and measurable impact on development constraints. To maximize impact, it is essential to coordinate closely for programmatic synergy with REDSO/ESA activities and activities of other agencies and sections of the U.S. Embassy in Nairobi.

USAID/KENYA GOAL

The overarching goal of the USAID/Kenya program is to promote a well-governed and more prosperous Kenya. This goal is supported by four strategic objectives, described briefly on the following pages and in detail in Part II of this ISP document.

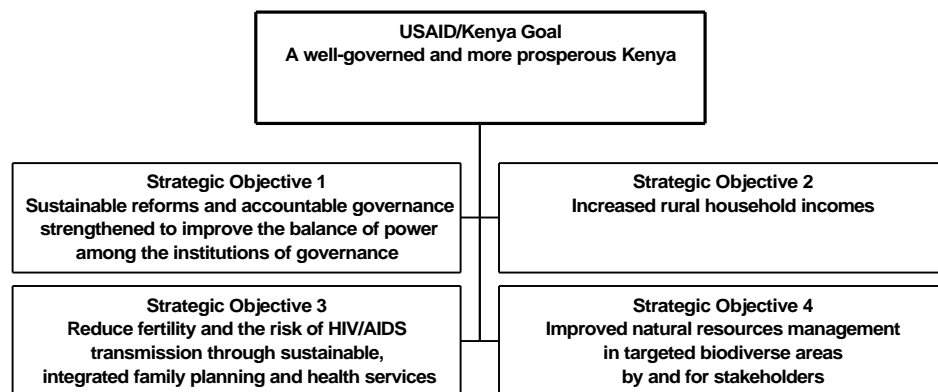
Strategic Objective 6 directly supports this goal by promoting both public demand for good governance and the independence and effectiveness of government institutions that can increase accountability of government to the public.

Strategic Objective 7 supports the goal by promoting economic growth and focusing on households in rural areas, where the great majority of Kenya's poor reside. By any one's measure, prosperity will elude Kenya until many more Kenyans see their incomes rise well above the poverty line.

Strategic Objective 3 promotes prosperity in three senses. First, a population ravaged

by HIV/AIDS is not prosperous, no matter what income levels are. The progress of this killer disease must be stopped. Second, economic progress is severely retarded by the costs of HIV/AIDS across all sectors of the economy. Third, population growth must be slowed further if unemployment is to be decreased and per-capita income is to be rapidly increased.

Strategic Objective 5 contributes to achievement of the USAID/Kenya goal, although it may not be necessary to its achievement. Improved NRM will improve the prosperity of communities that increase their stewardship of Kenya's natural resource base, and will help revive Kenya's tourism industry, a major source of foreign exchange. Moreover, pursuit of this strategic objective supports USAID's agency-level goal of protecting the world's environment.



CUSTOMER CONSULTATION

As indicated in the Introduction, USAID/Kenya is proud of how it has worked collaboratively and productively with its customers to design the ISP. The SO6 democracy and governance strategy was developed after an intensive consultative process that lasted just under two years. During this period, DG team members talked to the U.S. Ambassador and Political Section at the Embassy, and to Kenyans with widely varying political opinions in

rural and urban areas. Business associations representing the interests of their members, community-based resource groups, churches with extensive rural outreach, NGO leaders, and influential lawyers and opinion leaders were included in the ongoing dialogue. In all, over a thousand rural and urban Kenyans representing these diverse groups were involved in the consultative process and consultations with these groups will con-

tinue throughout implementation of the strategy.

Similarly, USAID/Kenya adopted a highly consultative, open, and transparent approach in developing its SO7 economic growth strategy. The Mission engaged a rich cross-section of local and USAID/Washington experts, including stakeholders, customers, and partners, in substantive dialogue through many meetings and brainstorming sessions. AFR/SD, AFR/DP, BHR/FFP, G/Microenterprise, G/WID, USDA, and the Economic Section at the U.S. Embassy participated in the dialogue. Meetings were held with micro-, small, and medium enterprises; private sector representatives; NGOs; think tanks; prominent farmers; high-level government officials including permanent secretaries, the governor of the Central Bank of Kenya, and heads of parastatals; Michigan State University; and parliamentarians. The meetings served as reality checks for the strategy development logic and framework, identified missing pieces, reviewed the proposed results, and assessed whether they could be tracked to measure impacts. Apart from the consensus-building that emerged from the meetings, there was a strong sense of ownership in the strategy among the stakeholders, customers, and partners. Consensus was reached that increasing rural incomes is the appropriate objective for USAID to pursue in the next five years, given the current high level of poverty in Kenya.

The SO3 population and health strategy draws upon the findings of the 1998 Kenya Demographic and Health Survey (KDHS), participatory evaluations, and several individual program assessments. The KDHS provided extensive health and socio-economic data from 9,465 households, including 7,881 women and 3,407 men aged 15 to 49 from six of Kenya's seven provinces. The respondents for this survey were drawn from rural and urban areas. These respondents answered detailed questions on fertility preferences, health-care-seeking

behavior, childhood health (including immunization, illnesses, and treatment), and HIV/AIDS knowledge, attitudes and behavior. The responses from well over 11,000 customers provided key data and direction into the Mission's SO3 strategy. The team contacted nearly 300 partners and stakeholders. Extensive field travel and interviews with district and provincial-level GOK officials, NGOs, the Centers for Disease Control (CDC), the World Bank, the U.S. Embassy, Ministry of Health (MOH) headquarters' staff, and a variety of implementing agencies and customers provided the basis for revised approaches for this SO.

USAID/Kenya, during the development of its new SO5 natural resources management (NRM) strategic objective, recognized the need to engage a rich cross-section of local expertise in a substantive dialogue to assist in strategy development. A diverse group of Kenyan experts, composed of eleven key informants, representing interests and institutions working in wildlife, soil conservation, livestock management, coastal resources management, and community conservation, were consulted with a view to setting the basic parameters of the NRM program. These experts represent nearly forty local organizations. Thus views of both rural and urban clients were incorporated into the planning process of the NRM strategy. Technical staff in USAID's Africa and Global Bureaus also participated in this consultation. Local groups assisted in drafting the results framework and performance indicators. An orientation was conducted with major donors working within the sector to explore how their activities might contribute to, or complement, the results. The draft strategy was also vetted and discussed with a broad community of NRM stakeholders in Kenya and AID/Washington. Before the strategy was completed, USAID/Kenya conducted an orientation to ensure that the broader environment community in Kenya was informed and consulted in the process.

USAID/KENYA STRATEGIC OBJECTIVES

Strategic Objective 6 **Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance**

This strategic objective directly addresses the need for structural change in Kenya's political system. Working through civil society and the media, USAID will promote effective demand for political, constitutional, and legal reform. USAID will also work directly with the Parliament and possibly other selected institutions of governance to improve their effectiveness and independence from the executive branch.

In a less comprehensive way, USAID's approach to this strategic objective also addresses two other development constraints identified above—the need for improved governance and public administration and an improved policy, legal, and regulatory environment—since a stronger civil society and a more independent Parliament are essential actors in improving economic governance.

USAID's activities, described in more detail below, cannot be effective in isolation from other critical USG initiatives, which are described in detail in the SO6 section of Part II.

Strategic Objective 7 **Increased rural household incomes**

This strategic objective represents USAID's effort to help Kenya stimulate economic growth. Because 80 percent of Kenya's population live in the rural areas and 75 percent are involved in agriculture, any strategy to reduce poverty and increase growth must begin there. USAID will: assist those agricultural sub-sectors with high potential for increasing incomes; assist PVOs to test approaches for sustainable production in ASALs; work with the government, the private sector, universities, and NGOs to improve the policy, legal, and regulatory framework facing agriculture; work with farmers' organizations to improve business and governance practices; and promote the growth of micro- and small

enterprises, which provide income and employment in rural areas. USAID/Kenya has a comparative advantage in these areas, having worked in agriculture and microenterprise in Kenya for many years.

Other USG initiatives to increase rural household incomes are described in detail in the SO7 section of Part II.

Strategic Objective 3 **Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services**

USAID has been the lead donor to Kenya's population and family planning program since the early 1970s. USAID/Kenya assistance has been critical to supporting Kenya's demographic transition and its rapid fertility decline. Similarly, in the fight against HIV/AIDS and in Kenya's health sector reform efforts, USAID wields extensive influence. The Mission proposes to remain heavily involved in these areas, which are critical to improving the quality of Kenyans' lives and the productivity of their labor.

Advancing this objective requires constant coordination with the Country Team, whose involvement is detailed in the SO3 section of Part II.

Strategic Objective 5 **Improved natural resources management in targeted biodiverse areas by and for stakeholders**

Kenya's near-unique natural resource endowment is under continual threat from human encroachment and exploitation. Building on 14 years of experience, USAID has carved out a strategic niche in assisting Kenyan communities to manage resources—particularly wildlife and habitats—in areas adjacent to national parks and reserves. This approach is the best way to guarantee the long-term sustainability of these irreplaceable biodiverse resources. Success in achieving this objective will also contribute significantly to the resumption of economic growth, since tourism is Kenya's second largest earner of foreign exchange.

Other USG activities to improve management of natural resources in the region are detailed under SO5 in Part II.

Special Objective 4
Critical needs met for Kenyans affected by the Nairobi bombing and capacity built to address future disasters

Over two hundred Kenyans were killed and thousands injured in the horrific terrorist bombing of the American Embassy on August 7, 1998. In addition, scores of businesses were damaged. In response, the U.S. Congress appropriated \$37.8 million in special assistance to the Kenyan victims of the bomb and their families. USAID activities implemented under this special objective are ongoing and should be completed by 2002. They include emergency medical treatment, reconstructive surgery, mental health counseling, physical therapy, assistance to business and building owners in the vicinity of the bombing, and im-

provements in Kenya's disaster preparedness.

Integral to the impact of assistance are:

- The U.S. Ambassador's leadership in promoting establishment and funding of a private foundation to establish and manage a memorial to the dead on the site of the former U.S. Embassy.
- Ongoing efforts of the FBI to track down and prosecute the perpetrators of the bombing.
- Efforts by the U.S. Embassy Public Affairs Section to publicize USAID's assistance and to keep Kenyans informed on progress in bringing the terrorists to justice.
- Collaboration with the University of Oklahoma on a National Institute of Mental Health-funded study of the psychological impact of the bombing.
- Assistance from the U.S. Department of Health and Human Services to design and monitor a program to provide mental health care for Kenyan bombing victims.

Matrix of synergies between USAID/Kenya strategic objectives

	SO6 DG program has synergies with other SOs in these ways:	SO7 economic growth program has synergies with other SOs in these ways:	SO3 population & health program has synergies with other SOs in these ways:	SO5 NRM program has synergies with other SOs in these ways:
With DG (SO6)		<ul style="list-style-type: none"> • Sharing research materials and policy papers between SO6-supported agriculture and environmental parliamentary committees and SO7-funded policy research institutes. 	<ul style="list-style-type: none"> • Capitalizing on strong existing SO6 relationships with NGOs, churches, and women's groups. SO3 and SO1 are exploring ways to incorporate HIV/AIDS interventions into existing SO6 programs thereby empowering SO6 groups to further improve their lives and Kenyan society. • Ensuring that reproductive rights and the empowering benefits of these rights are included as SO6 strengthens civil society with an emphasis on women's participation. 	<ul style="list-style-type: none"> • Improving management, introducing transparent operations, and establishing proper bookkeeping, accounting and management methods to address governance and management problems of NRM community-based organizations.
With Economic Growth (SO7)	<ul style="list-style-type: none"> • Supporting think tanks that provide policy analysis and new approaches to promoting trade, investment, and economic policies, including agribusiness. • Promoting the development of linkage mechanisms so business associations advocating for reforms and think tanks researching critical policy issues have access to and impact on relevant parliamentary committees for more effective review of agriculture-related legislation. 		<ul style="list-style-type: none"> • Decreasing unemployment and increasing per capita income by helping to reduce fertility. • Increasing labor opportunities for women by improving their health and reducing time lost due to pregnancies. • Exploring, through SO7 research, the difficulties that AIDS may pose to Kenyan microfinance institutions. 	<ul style="list-style-type: none"> • Monitoring progress in reducing the encroachment of protected areas and range lands, and changes in land use. Providing data that will inform policy makers and advocacy groups that are lobbying for appropriate land use policy.
With Population and Health (SO3)	<ul style="list-style-type: none"> • Promoting civil society and parliamentary linkages, thereby giving health CSOs more direct access to key MPs. Access will enable CSOs to provide MPs with information encouraging MPs to take a proactive stance in the fight against HIV/AIDS. 	<ul style="list-style-type: none"> • Disseminating SO3 HIV/AIDS information to SO7 partner group members. • Designing an SO7 intervention to provide HIV/AIDS-affected families with access to microfinance services through K-REP, an SO7 microfinance partner. • Pursuing links between SO7 Title II programs on child nutrition and SO3 child survival programs. 		<ul style="list-style-type: none"> • Encouraging SO3 partners to include HIV/AIDS messages to targeted NRM communities. Where SO5 and SO3 have a common target area, SO3-partners will be requested to target SO5-supported groups for dissemination of HIV/AIDS messages. • Encouraging SO5 targeted communities to preserve their habitats and propagate medicinal species. By increasing the availability of medicinal plants, SO5 will contribute to improving the health of Kenyans.
With NRM (SO5)	<ul style="list-style-type: none"> • Collaborating to ensure that parliamentary committees supported by SO6 focus on NRM issues and enact NRM legislation. • Through the parliamentary support program, facilitating creation and/or passage of key natural resource policies. • Strengthening the Parliamentary Committee on Agriculture, Lands and Natural Resources to effectively review and enact policies based on expert information received from environmental CSOs and policy think tanks. 	<ul style="list-style-type: none"> • Contributing to the long-term achievement of improved NRM by emphasizing increased agricultural productivity and offering more profitable MSE opportunities to decrease agricultural encroachment into forest, water catchment, rangeland, and protected areas. • Linking SO5's nature-focused businesses to SO2's MSE capacity-building program. Nature-focused businesses will benefit from best practices of financial and non-financial services developed under SO7. 	<ul style="list-style-type: none"> • Working with community natural resource conservation groups to share information on HIV/AIDS. 	

Matrix of convergence between USAID/Kenya and GHAI SOs and principles

USAID/Kenya strategic objectives and activities	USAID/Kenya contributes to these GHAI results	USAID/Kenya convergence with GHAI principles
<p>Strategic Objective 6: Democracy and governance</p> <ul style="list-style-type: none"> Working closely with local MPs, USAID/Kenya's partner, the Kenya Pastoralist Forum (KPF), reduced conflicts between the government of Kenya and pastoralists. KPF's work is persuading the GOK to consider the interests of pastoralists in policy decisions, including constitutional reform. This model can be replicated throughout the GHAI region. USAID/Kenya has trained several trainers and mediators who have been deployed to conflict areas in Kenya, and has helped civil society organizations form coalitions or networks for conflict prevention and resolution activities. 	<p>Strategic Objective 2: Strengthened African capacity to prevent, mitigate, and respond to conflict in the GHAI region</p> <ul style="list-style-type: none"> Indigenous organizations that respond to conflict are being strengthened. 	<ul style="list-style-type: none"> African ownership and strategic coordination principles guided USAID during development of the ISP. It was designed through extensive consultation with experts on a wide array of African issues including environment, natural resource management, conflict, food security, agriculture, micro- and small enterprise, population, health, HIV/AIDS, democracy, and governance. The Mission incorporated local priorities as well as harsh realities into its strategy. Conflict was brought up, discussed, integrated, and permeated into the thinking of USAID/Kenya's strategy. USAID/Kenya is promoting regional stability among transnational pastoral communities in Kenya, Uganda, Somalia, and Ethiopia by teaching individuals in those communities about their rights and using legal means to voice their needs.
<p>Strategic Objective 7: Economic growth</p> <ul style="list-style-type: none"> SO2 will focus on increasing rural incomes to alleviate Kenya's deepening poverty. Increased household incomes will significantly improve household food security. USAID/Kenya's model of linking policy research and dialogue, technology development and transfer, and appropriate policy changes and training has led to increased food security in the Greater Horn of Africa. Farmers in Uganda, Rwanda, and Tanzania now use improved varieties of seeds that were developed through USAID/Kenya programs. USAID/Kenya and REDSO/ESA are supporting seed policy harmonization, which will lead to greater flows of yield-enhancing seed varieties throughout the GHAI region. Kenya is taking the lead in formulating a common conservation and preservation policy for regional biodiversity. 	<p>Strategic Objective 2: Strengthened African capacity to enhance regional food security</p> <ul style="list-style-type: none"> Private sector involvement in enhancing regional food security is being increased. 	<ul style="list-style-type: none"> The Mission's Title II program is increasing the potential of drought-prone pastoralists to make a transition from relief to development and provide a basis for long-term development goals thereby contributing to GHAI principle of linking relief to development. Market information systems in Kenya will be linked with others in the region to provide better information for trade of agricultural commodities. Use of FEWS-Net information helps in the coordination of emergency response in the region. Agricultural research in Kenya has regional applicability. The Seed Trade Assoc. of Kenya is a model for other such organizations in Uganda and Tanzania and is promoting increased trade of high-yield varieties that promote food security. Kenyan trade policies will be harmonized with its regional trading partners.
<p>Strategic Objective 3: Population and health</p> <ul style="list-style-type: none"> USAID/Kenya's contraceptive logistics support to the Ministry of Health (MOH) has been of great interest to other countries in the region and is seen as a model logistic management system. REDSO/ESA has promoted the Regional Logistics Initiative, which has provided technical assistance from the Kenya program to other countries. PATH/Kenya, a local NGO with strong USAID linkages, is currently undertaking a study on community-based nutrition activities. Lessons learned from the Kenyan experience will be disseminated throughout the GHAI region. The Kenya SO3 cost-sharing program is seen as a model for the region. Through REDSO's Regional Health Network, lessons learned in Kenya are shared with collaborating countries including Uganda, Ethiopia, and Tanzania. The Regional Health Network supports study tours to hospitals in the region where cost-sharing is being practiced. USAID/Kenya's health sector programs will mitigate the risk of conflict caused by population pressures through SO3 efforts to deliver safe, effective, and voluntary family planning and reproductive health services. Care and support programs will help mitigate social conflict caused by the disintegration of the family and increased orphanage of children. 	<p>SO1, SO2, and Special Objective 3: Improved access to regional analytical information</p> <ul style="list-style-type: none"> African capacity to implement household-level nutrition and other child survival interventions is being built. Indigenous organizations that respond to conflict are being strengthened. GHAI Information is being more broadly disseminated. 	<ul style="list-style-type: none"> USAID/Kenya has shared information on a regional basis that has resulted in the transfer of technology, program applications, and information to other countries within the region.
<p>Strategic Objective 5: Natural resources management</p> <ul style="list-style-type: none"> By supporting nature-based community wildlife enterprises, SO5 will also contribute to increasing the incomes of these communities. 	<p>Strategic Objective 2: Strengthened African capacity to enhance regional food security</p> <ul style="list-style-type: none"> Collaboration in the management of transnational natural resources is being improved. 	<ul style="list-style-type: none"> The bedrock of NRM activities continues to be ownership of the strategy by those it is to benefit: the people of Africa, and the people of Kenya, and the complex ecosystems of the region.

OTHER USG ACTIVITIES ADDRESSING KENYA'S DEVELOPMENT CONSTRAINTS

Achievement of USAID/Kenya's strategic objectives will not, of course, ameliorate all the constraints to Kenya's development and guarantee a prosperous and democratic Kenya. Given the limitations of its financial and personnel resources, USAID has carefully chosen the objectives and sectors where it can have the most beneficial and long-lasting impact. Activities of other USG entities, however, squarely address other development constraints.

USG activities to promote political liberalization, democratic values, and regional stability include:

- U.S. support for a professional, apolitical Kenyan military, responsive to civilian control and respectful of human rights. This support is led by the U.S. Military Attaché and by the Kenya-U.S. Liaison Office.
- Diplomatic encouragement of the GOK to take a leading role in mediating regional disputes.
- REDSO support for a conflict early warning system housed in the Inter-Governmental Authority on Development (IGAD).
- REDSO support for conflict prevention programs and various studies on conflict within Kenya and on its borders.
- Approximately \$100,000 per year in Department of State 116e funds for democracy and human rights.
- ESF funding from the Department of State for democracy and governance.
- Funding, coordinated by the Department of State, to assist Kenya combat the international flow of illicit narcotics.

Other USG initiatives to promote economic growth in Kenya include:

- Policy dialogue by the Ambassador, DCM, Economic Counselor, and Commercial Counselor with the GOK on improving the investment climate in Kenya.
- REDSO financing of an Investor Roadmap study aimed at identifying key constraints to foreign investment in Kenya.
- Promotion of American business opportunities for trade and investment in Kenya by the Ambassador, the Commercial Counselor, and the Agricultural Attaché.
- Diplomatic dialogue and REDSO assistance to promote regional economic integration with Kenya's neighbors in the Greater Horn of Africa.
- Embassy negotiation of Open Skies and Safe Skies agreements that will improve and integrate Kenya's air links with the U.S., East Africa, and the world.
- The Ambassador's Self-Help Fund, which funds community-based, income-generating activities of self-help groups, especially women's groups.

USG activities to address under-investment in Kenya's human resources include:

- A USAID/Embassy jointly managed program of scholarships to send Kenyan girls to secondary schools with funding from the Education for Development and Democracy Initiative (EDDI).
- Leland Initiative support for the Kenya Education Network (KENET), a consortium of 21 Kenyan universities and research institutions committed to sharing information through the Internet.
- Training and exposure to the United States for Kenyans through the International Visitor Program managed by the Public Affairs Section of the American Embassy.

ALTERNATIVES CONSIDERED

In settling on the strategic objectives identified above, USAID considered but opted not to pursue or adopt several additional or alternative strategic emphases.

The private sector and investment

It is clear from the sections above on trends and development constraints sections that Kenya needs continuing help in improving the policy, legal, and regulatory environment in which the private sector operates. USAID had several activities in this area but dropped them in 1996 for lack of economic growth funds and staff. Although the need is still great, USAID cannot take on this objective again without dropping another strategic objective or adding both financial and staffing resources. Given the momentum of the existing program areas and the Agency and Bureau budget constraints, USAID/Kenya decided against such a major shift. The Mission will, however, continue to address the policy, legal, and regulatory environment within each sector of program emphasis (democracy and governance, agriculture, microenterprise, health, and natural resources management). The Mission will continue to press the GOK on broad issues of economic governance through the multi-donor Economic Governance Group.

Education

The education sector cries out for assistance and the problems are huge. Given its finite resources, USAID/Kenya cannot hope to make an impact at the SO level in more than one social sector. The Mission is committed to staying the course in population and health in Kenya. Furthermore, the GOK has not yet sorted out its own priorities and directions in terms of educational reform. Other donors (e.g., the UK's Department for International Development, DFID, and the European Union) do provide assistance in this sector.

Infrastructure

The need to improve Kenya's physical infrastructure, identified above, is beyond the

scope of any one donor. Some sectors (e.g. power, telecommunications, railroads, and management of ports) are best left to the private sector. The World Bank has a major lending program to improve roads, but implementation of even that has been plagued by indecision and poor management on the part of the GOK.

Poorest of the poor

Any agency concerned with alleviating poverty in Kenya has to be concerned with the impoverished populations throughout the country. USAID/Kenya analyses show that poverty is growing and is distributed throughout Kenya. Even in the high-potential agricultural areas, over 50 percent of the population lives in poverty. There is no one region with a monopoly on poverty. However, the Mission has chosen not to work with the poorest of the poor, but to target those households that have some ability to undertake development activities. Hence, the economic growth strategic objective has selected commodities for the high- and medium-potential areas of Kenya that offer the most promise of making the desired impact of increasing incomes of smallholders. Complementing the agricultural part of the portfolio is the micro- and small enterprise development portfolio; research shows that poorer households are more likely to benefit from off-farm enterprise incomes, particularly if they are short of land. The Title II food for development program is specifically targeting more vulnerable households in the arid and semi-arid lands (ASALs) that include agro-pastoral and pastoral populations in the marginal areas. The Mission's efforts in ASALs will assist these populations to move from dependence on relief towards development in their communities. Due to limited resources and lack of thorough knowledge and comparative advantage, the Mission will not be able to take a more robust approach in dealing with the pastoral areas.

LINKAGES TO U.S. GOALS AND TO HOST COUNTRY, REGIONAL, AND AGENCY DEVELOPMENT PRIORITIES

LINKAGE TO THE MISSION PERFORMANCE PLAN

This proposed integrated strategic plan is linked to the Embassy's Mission Performance Plan (MPP). The Mission worked closely and consulted with U.S. Embassy Nairobi during the development of the strategy and ensured that Embassy programs were fully integrated in and complementary to USAID activities. The strategy is linked directly to four MPP national interests and six strategic objectives and indirectly to almost all MPP goals.

USAID/Kenya's SO6 democracy and governance portfolio is linked to the MPP goal of deepening democratic reforms based on a spirit of dialogue and compromise. Democracy offers the best prospect of a peaceful, prosperous and stable Kenya, a country characterized by deep popular aspirations for greater democratic freedoms. SO6 provides almost 100 percent of USG resources to achieve this goal. The Mission has built a strong and collaborative relationship with the U.S. Embassy so implementation of its DG program complements the Embassy's diplomatic efforts. The Embassy will enhance a culture of dialogue and compromise and press the GOK and opposition, particularly in Parliament, to work together to achieve common goals that benefit all Kenyans. This will enhance the SO6 democracy and governance program.

USAID/Kenya's SO7 economic growth program is linked to three MPP goals dealing with economic prosperity. The Embassy Economic Section and USAID/Kenya coordinate in a multi-donor effort to enhance good economic governance and to push the GOK to adopt economic policies and

practices that will increase Kenya's real GDP annual growth rate to six percent. USAID/Kenya is providing some of the financial resources for the analytical work to move this agenda forward. The Embassy will encourage the GOK to strengthen and sustain its economic governance reforms by further improving public sector management, enhancing transparency and accountability, and strengthening the rule of law. The Embassy will also maintain effective donor coordination through continued cooperation and active participation in the Economic Governance Group.

USAID/Kenya's SO3 population and health program is linked to the MPP population goal of reducing Kenya's total fertility rate and the MPP health goal of reducing the risk of transmission for HIV/AIDS, malaria, and other infectious diseases. USAID/Kenya is the lead USG agency providing technical, commodity, and financial assistance to the GOK's national family planning program. USAID/Kenya's support is designed to increase access to safe, voluntary, quality family planning services, improve maternal and child health, and increase youth access to reproductive health services. The Mission will also continue to allocate considerable resources to HIV/AIDS prevention and behavior change, fighting malaria and other infectious diseases, policy and advocacy, and community-based care. The U.S. Army's Medical Research Unit (MRU) and the Centers for Disease Control (CDC) programs will focus on development of vaccines against HIV/AIDS and malaria, and on emerging disease surveillance.

USAID/Kenya's SO5 natural resources management program is linked to the MPP's environmental and biodiversity goal. Because Kenya is the economic linchpin in East Africa, wise use of its natural resources has a broad regional impact. USAID/Kenya will promote integrated and sustainable natural resources management (NRM) in targeted biodiverse areas through strengthening community management of natural resources. The Embassy will encourage Kenya to support U.S. positions on biodiversity and biological safety negotiations. Additionally, the Embassy will encourage small community-level projects (particularly by women) in conservation of natural resources through the Ambassador's Self-Help Fund program.

Finally, USAID's bombing response program contributes significantly to the MPP

goal of humanitarian assistance. The USG is committed to preventing or minimizing the human costs of conflict and natural disasters in Kenya and in the GHAI region. Stability in Kenya affects U.S. economic, commercial and security interests throughout East Africa. American values mandate offering assistance and international leadership to help alleviate human suffering from crises whenever they occur. USAID is assisting businesses affected by the bombing to reduce the economic impact of the bombing, helping persons injured to receive adequate medical care and strengthening disaster response and preparedness programs. Embassy will focus on improving Kenyan institutional and staff capacities to identify vulnerable populations and the potential impact of crises.

LINKAGE TO AGENCY GOALS AND OBJECTIVES

Relationship to the Agency goal: Democracy and good governance strengthened

The USAID/Kenya democracy and governance program seeks to strengthen sustainable reforms and accountable governance and improve the balance of power among the institutions of governance. USAID will continue to foster effective demand for reform through civil society. Additionally, the Mission will broaden the democracy and governance strategy to directly assist selected institutions of governance (the supply side) to prepare them to be more effective powers and to act as checks and balances to the executive branch in the post-Moi era, beginning in 2003.

The DG strategic objective directly contributes to the Agency's goal of *strengthened democracy and good governance*. It further contributes to all four of the Agency's democracy and governance objectives:

- USAID/Kenya's program promotes *the rule of law and respect for human rights of women as well as men* through grants to indigenous human rights NGOs.
- The Mission will encourage *credible and competitive political processes* by supporting

reforms to improve the electoral enabling environment, monitoring the electoral process (emphasizing conflict related to elections) and, if funding is adequate, assistance to an independent electoral commission and to political parties.

- *Development of politically active civil society* has been and will continue to be the cornerstone of the Mission's DG program.
- The Mission has *made more transparent and accountable government institutions*, starting with the Parliament, the major new emphasis of its DG strategy.

Relationship to the Agency goal: Broad-based economic growth and agricultural development achieved

To achieve broad-based economic growth, create more employment, and alleviate poverty, the Kenyan economy will have to grow by seven percent or more a year. The key to economic growth in Kenya is its agriculture sector, which is dominated by smallholder farmers. Agriculture remains and will continue to remain a primary focus of USAID/Kenya's strategy of stimulating economic growth.

The program contributes to all three Agency objectives promoting this goal:

- Through technical assistance and policy dialogue, USAID/Kenya will continue to *expand and strengthen critical private markets* in agricultural sub-sectors with high potential to increase incomes.
- The Mission will contribute to *more rapid and enhanced agricultural development and food security* through improved policies and regulations governing agriculture, targeted assistance in agricultural research, technical assistance in production, marketing and trade of agricultural products, and expanded opportunities for micro- and small entrepreneurs to increase household income, thus reducing food insecurity. With improved market efficiencies, producers will receive higher prices while consumer will pay lower prices, thereby improving food security for both groups. Title II program activities contribute to this Agency goal through increasing agricultural productivity and food security in vulnerable populations.
- The Mission will *promote expanded, more equitable access to economic opportunity for the rural poor* by strengthening smallholder, member-owned businesses that provide improved services, empower members, and increased profits to smallholders, and by developing micro- and small enterprises, and increasing access of rural populations to financial and non-financial services.

**Relationship to the Agency goal:
World population stabilized and
human health protected**

USAID/Kenya's health sector strategic objective directly supports the Agency's goal of *stabilized world population and protected human health*. Because of Kenya's high fertility and high HIV/AIDS prevalence, the Mission will continue to focus on reduction of fertility and the risk of HIV/AIDS transmission. This focus also reflects USAID's global leadership and programmatic comparative advantage in these sectors. In addition, USAID support for Kenya's health sector reform effort provides a positive enabling environment for improvements in child survival.

USAID's population and health program directly contributes to three of the Agency's objectives under this goal:

- Through activities to expand prevalence of modern-method contraception, USAID will help *reduce unintended and mistimed pregnancies*.
- Through expanded AIDS awareness, increased use of condoms, and improved community-based care, USAID assistance will *reduce HIV/AIDS transmission and the impact of the HIV/AIDS pandemic*.
- The Mission will also *help reduce the threat of infectious diseases of major public health importance* through assistance to national health sector reform.

**Relationship to the Agency goal:
The world's environment protected
for long-term sustainability**

USAID's natural resource management strategic objective focuses on the conservation of biodiversity by improving NRM in targeted biodiverse areas. SO5 builds on USAID/Kenya's experience in the COBRA project and other USAID projects, and will act to improve management of Kenya's biodiverse areas. Success at the SO level is a necessary step to achieving the higher goal of conserving important and unique biodiversity for future generations of Kenyans and the global community. Recognizing that it is beyond USAID's ability to affect a measurable biophysical change in the conservation of biodiversity within five to eight years, the NRM program aims to improve management of Kenya's natural resource base in targeted biodiverse areas. The program will work outside of protected areas to effect a positive change in stakeholder behavior in the management and wise use of natural resources. The SO is consistent with current NRM trends and policies in empowering local communities and the private sector to participate in, and benefit from, the wise use of natural resources.

Not only is USAID/Kenya's SO5 clearly consistent with the Agency goal, but the NRM program is in harmony with two Agency environment objectives, *biological diversity conserved* and *sustainable management of natural resources increased*.

The Mission's agriculture program also contributes to the Agency goal with its specific emphasis on sustainable agriculture

and promotion of NRM practices in agriculture.

**Relationship to the Agency goal:
Lives saved, suffering associated
with natural or man-made disasters
reduced, and conditions necessary
for political and/or economic
development reestablished**

USAID/Kenya's special objective to meet critical needs of Kenyans affected by the Nairobi bombing and build capacity to address future disasters directly supports this Agency goal. Furthermore, the program

corresponds to two subsidiary Agency objectives.

- USAID/Kenya assistance for medical, mental health, and rehabilitative services for those injured by the bomb, scholarships for children orphaned by the bomb, and assistance to businesses and buildings damaged by the bomb contribute to *urgent needs in crisis met*.
- Improvements in blood safety and ambulance services will result in *the potential impact of crises reduced*.

USAID emergency food aid also supports this goal by feeding populations suffering from drought or floods.

HOST COUNTRY PRIORITIES

All elements of USAID/Kenya's proposed program, with one exception, have been thoroughly vetted with the GOK and prospective nongovernmental partners. The sole exception is the Mission's new DG strategy, which, like its predecessor, has not been formally negotiated with the GOK as a whole. Potential assistance to institutions of governance (the new element of the DG program) has been discussed with leaders of each potential benefiting institution, however, and proposed assistance is consistent with their priorities.

The government of Kenya's development goals are set forth in the *National Development Plan 1997-2001*, the *National Poverty Eradication Plan 2000-2003*, and the *Interim Poverty Reduction Strategy Paper 2000-2003* (I-PRSP). While none of these documents has a clear ordering of priorities, the overall theme of all three is poverty reduction.

The I-PRSP is the most recent articulation of GOK goals. It emphasizes accelerating the rate of real economic growth (from 1.4 percent in 1999/2000 to six percent in 2002/2003) as the most important way to achieve broad-based improvement in the standard of living. The I-PRSP stresses creation of an enabling environment for business, reform of the public sector, and concentration of public resources on activities that will reduce poverty. This I-PRSP is being revised through a consultative process to involve the population at district

and local government levels. While the final PRSP document will not be ready until mid-2001, the I-PRSP objectives are a reasonable indication of GOK priorities.

Strong convergence exists between the emphases of the I-PRSP and the Mission's proposed strategy in many areas.

- Given the concentration of Kenya's population in rural areas, the I-PRSP emphasizes agricultural development as key, particularly development of cash crops with high potential for employment generation.
- The I-PRSP stresses the need for sound land use, and water and environmental policies consistent with long-term agricultural production and protection of water catchment areas. Further, it cites the need to integrate environmental conservation and development of tourism.
- It emphasizes the importance of increasing contraceptive prevalence to reduce the annual population growth rate from the current 2.2 to 2.0 percent in the medium term and 1.7 percent in the long term.
- The document declares AIDS a national disaster and calls for comprehensive reform of the public health sector.
- The I-PRSP recognizes the importance of microenterprises in alleviating poverty. It identifies the need to implement policy reforms to create an enabling environment for their further development.

The document emphasizes the importance of improving and reforming public administration, but ignores the importance of

fundamental political and constitutional restructuring/reform. Such shortcomings may be explained by the fact that the I-PRSP

is viewed very much in the context of public finance and restarting an IMF program in Kenya.

RELATIONSHIP TO REGIONAL PRIORITIES

Kenya is the most important country in East and Central Africa. Although the Greater Horn of Africa Initiative (GHAI) was designed to deal with problems—war and recurrent famine—more serious than those suffered by Kenya, its success as a regional program depends on the active participation of Kenya. Kenya is a member of the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD), the Common Market for Eastern and Southern Africa (COMESA), and the East and Southern African Business Organization (ESABO). The GHAI program works with these regional organizations to increase their institutional capacity, enhance economic integration, and promote regional solutions to the fundamental problems that have destabilized the Horn of Africa and the Great Lakes Region. Specifically, the GHAI helps the ten countries of the region to:

- Strengthen African capacity to enhance regional food security.
- Strengthen African capacity to prevent, mitigate and respond to conflict.
- Improve access to regional analytical information

Enhancing regional food security

USAID's SO7, *Increased rural household incomes*, is consistent with and fundamental to enhanced regional food security. Through increased agricultural productivity, through increased agricultural trade, increased profitability of empowered smallholder organizations, and successful expansion of small and microenterprises, smallholders and other rural poor will be more likely to meet their families' needs for food. By improving market efficiencies, producers receive higher prices and consumers pay lower prices, improving food security for both groups. Incremental improvement in the policy regime facing Kenyan farmers, including regional harmonization of tariffs and reductions in non-tariff trade barriers, will

promote achievement of regional food security. The USAID Title II food aid program complements this GHAI objective by linking relief and development. This is achieved by using locally monetized food to support sustainable community projects that enhance the food security of some of Kenya's populations most vulnerable to drought.

Conflict prevention and mitigation

The USG contributes to conflict prevention and mitigation in Kenya in many ways. GHAI-funded studies have made it clear that much conflict in Kenya is rooted in competition for scarce resources, particularly for land and water. Other conflict is politically inspired. And much crime is the result of the stagnant economy, which is not generating enough jobs.

At the most fundamental level, the USAID program addresses the long-term imbalance between population and natural resources by helping reduce the rate of population growth (SO3). On the other side of that equation, it promotes conservation of natural resources (SO5) and creates of-farm alternatives for income generation (SO7) through microenterprise. The program also enhances sustainable use of resources to increase productivity, increase incomes, and decrease encroachment, all of which lead to decreased conflict over resources.

Second, the Mission's democracy and governance program promotes more effective institutions of governance, which may, in the long run, give more Kenyans a stake in the political system and reduce the level of politically inspired violence. The DG program also strengthens the capacity of civil society organizations to prevent and resolve conflicts.

Third, USAID's strategic objective to raise rural household incomes is the Mission's most direct contribution to raising Kenya's rate of economic growth, which is

the GOK's top priority for reducing poverty—and the cause of much of Kenya's criminal activity.

Other U.S. Mission activities that promote conflict mitigation include diplomatic encouragement of the GOK to take a leading role in mediating regional disputes, and U.S. support for a professional, apolitical Kenyan military which is responsive to civilian control and respectful of human rights.

The Conflict Analysis Annex comprehensively discusses conflict in Kenya and USAID's approach to dealing with it.

Access to regional analytical information

Support from REDSO and the Leland Initiative has helped USAID/Kenya develop a program, KENET, with the GOK to help link 21 universities and research institutions on the Internet. Another regional project, ExecNet, will link the Permanent Secretaries in Kenya's ministries.

The Mission also extensively uses the information and analyses of FEWS-Net for Kenya and for the region to make decisions on timing, quantities, and allocations of emergency food in times of drought, flood, or other emergencies.

PARTNERS

The USAID program is built on a partnership with implementers from Kenya's vibrant NGO sector, the American PVO community, the private sector, U.S. and Kenyan universities, Kenyan policy think tanks, and the government of Kenya. The Mission meets with this family of partners several times per year to brainstorm overall strategic directions, discuss the quality of the working partnership, exchange information, and solve problems. Emphasis is on participation, initiative, and empowerment. USAID/Kenya has a long-standing tradition of working closely with these partners, and success is a shared success. On a sectoral basis, this partnership is the reality of everyday life.

Democracy and governance partners

The main partners in the DG area are Kenya's registered NGOs, business associations, professional groups, community resource groups, farmers' associations, think tanks, and neighborhood associations. New partners will be the Kenyan Parliament and, if resources are adequate, other institutions of governance such as the judiciary and the Kenya Anti-Corruption Authority.

Agriculture and business partners

SO7 partners include some 40 organizations and agencies, including six GOK agencies, eight private sector firms, 16 NGOs (U.S. and Kenyan, including six Title II cooperat-

ing sponsors), seven U.S. universities, one Kenyan university, and two international research organizations. Most of these organizations were invited to participate in the reformulation of SO7. Due to governance issues, most of the SO7 resources have, in the past, been managed by NGOs, PVOs, the private sector, and universities. However, the GOK is still a key partner, particularly in policy dialogue and setting overall priorities for agriculture and rural development.

Population and health partners

Under SO3, family planning, health sector reform, HIV/AIDS, and child survival programs are national and local in scope. SO3 partners include a wide variety of U.S. and Kenyan PVOs, NGOs, the government of Kenya, and the private sector. Programs are implemented through: 20 U.S. firms, PVOs, and universities; over 30 Kenyan NGOs, religious organizations, and universities; the Ministry of Health, and local government authorities; and other U.S. government agencies, including the Centers for Disease Control and the Department of Defense. Kenyan NGOs are diverse in nature and implement a wide range of health-related activities. SO3 has established long-term relationships with a variety of local family planning service delivery organizations, women's groups, and the Anglican Church of Kenya. However, over the past five years, SO3 has expanded its local partnerships to

include advocacy groups for people living with HIV/AIDS, the Kenya Catholic Secretariat, and an umbrella organization for Christian churches, MAP International. Many groups are supported through U.S. cooperating agencies working with the Kenya AIDS NGO Consortium.

Natural resources management partners

The major implementing partners for SO5 are the Kenya Wildlife Service, the African Wildlife Foundation (AWF), and PACT. The last two are U.S. PVOs that work closely with the KWS on strengthening community management of natural resources in areas of high biodiversity. In addition, the University of Rhode Island works on SO5 objectives with a particular focus on marine coastal resources management. Other partners include the numerous NGOs that work as sub-grantees to PACT and AWF. SO5 also collaborates with wildlife fora and wildlife research organizations.

Bombing response partners

USAID's partners responding to the tragedy of August 7, 1998 have run the gamut from the GOK and the United Nations to private contractors and international and local NGOs. In the immediate aftermath of the bomb, the USAID Director and UNDP Resident Representative coordinated donor response with the Office of the President. To implement its programs of medical and social assistance to Kenya's bomb victims, USAID has worked with fifteen hospitals in Nairobi and numerous NGOs, including the African Medical Research Foundation (reconstructive surgery and other follow-up medical services), Operation Recovery (mental health services), the International Federation of the Red Cross (school fees and mental health), Adventist Development and Relief Agency (rehabilitative services for the disabled), and Family Health International (blood safety). Assistance to small and medium-sized businesses has been implemented by KMAP and KPMG Peat Marwick. Matrix Consulting Engineers assessed damage to buildings in the neighborhood of our bombed Embassy. Wilber Smith Associates and Mugoya Engineering and Construction have been the key implementing partners for reconstruction of the Cooperative Bank Building.

OTHER DONORS

USAID/Kenya coordinates its assistance program closely with other donor programs. At the broadest level, the United States is a founding member of the Economic Governance Group (EGG), a three-year-old group of ambassadors and directors of bilateral aid agencies and country directors and representatives of the Bretton Woods organizations and United Nations agencies. The EGG focuses on pressing the GOK to improve economic governance, including improved performance of the public sector, reducing the role of government, improving the operating environment for private sector-led growth, and reducing corruption. EGG

members also seek to develop a consensus among themselves before advising their respective home governments or the boards of directors of the IMF and the World Bank.

At the sectoral level, there are also broad coordination meetings for technical experts from all major donors for democracy and governance, agriculture, food security, microfinance and microenterprise, natural resources, health, and population. USAID officers consult with their counterparts in other embassies and aid agencies on a daily or weekly basis. That cooperation is described under each of the strategic objectives in Part II of this ISP.

PART II PROPOSED INTEGRATED STRATEGIC PLAN

STRATEGIC OBJECTIVE 6: SUSTAINABLE REFORMS AND ACCOUNTABLE GOVERNANCE STRENGTHENED TO IMPROVE THE BALANCE OF POWER AMONG THE INSTITUTIONS OF GOVERNANCE

USAID has provided substantial economic development assistance to Kenya since the end of colonial rule in 1963. The guiding development hypothesis during the first three decades of independence was that economic development is a prerequisite for democracy. However, when economic growth slowed and democratic institutions deteriorated in the ensuing decades, it became apparent that this hypothesis was incomplete. While economic growth can contribute to democratic governance, in the long run it is clearly insufficient and is itself dependent on broad popular participation and strong institutions of governance.

USAID/Kenya's Country Strategic Plan for 1996-2000 recognized the need for direct assistance for democratic governance. It also correctly assessed that reform would not come from within the government of Kenya (GOK) but must be demanded by civil society. A program was therefore launched to give voice to civil society organizations (CSOs) that were demanding political, legal, and constitutional reform. Five years later that strategy has borne some fruit. Kenya now has a relatively free press, civil discourse is far more open, and economic reformers are beginning to gain some influence. Power, however, is still disproportionately concentrated in the executive branch of government, and unless it is dispersed—to other branches of the national government (Parliament and the judiciary),

to local government, and to the private sector, the press, and civil society outside government—abuse of power and poor governance will inevitably continue.

To promote the diffusion of power and authority, USAID/Kenya will continue to foster effective demand for reform through civil society. But in addition, the Mission now proposes to broaden its DG strategy to directly assist selected institutions of governance (the supply side) to prepare them to be alternative poles of power and to check and balance the executive branch in the post-Moi era, which begins in 2003.

Given the critical importance of Kenya to U.S. interests in East Africa, this initiative must begin immediately and must command sufficient financial and management resources to substantially aid Kenyan reformers. There is always the potential for violence at election times, and the stakes are higher than usual since the regime will change at the beginning of 2003. The choices that Kenyans make in the next three years and the degree to which they can develop democratic institutions will profoundly affect the quality of life of the next generation.

Recent accomplishments

Due in part to USAID assistance, CSOs continue to be more active and stronger than they were three years ago. There is also evidence that the GOK is beginning to work more collaboratively with CSOs to develop national level policies. Since January 1999,

USAID-supported CSOs have realized the following accomplishments: They were instrumental in getting the Parliamentary Services Commission Bill enacted. This bill seeks to reduce the President's arbitrary powers over the National Assembly to give it some independence. Two other key results include an amendment to the national budget to include gender-sensitive expenditures. This amendment was drafted by the Kenyan Women's Political Caucus and successfully enacted into law. In addition, the Institute for Economic Affairs, a USAID-funded NGO, has successfully lobbied the Ministry of Finance to adopt a multiple year budgeting approach known as the Medium Term Expenditure Framework to establish the link between the policy framework and the budgetary process. Its adoption as a budgetary tool was formally announced by the Minister of Finance. All of these recent accomplishments are fundamental building blocks for the new DG strategy

Importance of democracy and governance to the region

Peace and prosperity in the Horn of Africa and Great Lakes regions depend on Kenya's economic performance. Conversely, institutional collapse and economic decay in Kenya pose a major risk to the region. For these reasons, the USAID/Kenya program is implicitly a regional program.

For historical and geographical reasons, Kenyan countrywide programs will work better if they take Kenya's strategic role in the region into account. For instance, no conflict resolution program along Kenya's borders could work without acknowledging that ethnic communities living along Kenya's international borders are transnational in character. The Turkanas are ethnically allied with their Karamajong brothers across the border in Uganda; the Oromos in Ethiopia have their Borana cousins in Kenya as do the Somalis who live athwart the Kenya-Somalia border; along Kenya's southern border, the Masai move freely between Kenya and Tanzania. These

borderlands pose some of the most severe governance challenges in Kenya. They are at the epicenter of cross-border incursions and ethnic violence and are also awash with small arms. Kenya's internal conflicts could easily become regional conflicts. To root democracy and good governance in Kenya, trans-border conflicts that threaten democratic consolidation in the country must be defused.

Additionally, Kenya has the largest economy in the region and the region's largest seaport and airport. Decay of Kenyan infrastructure and institutions can threaten the very survival of landlocked peoples in the hinterlands—especially in southern Sudan, Uganda, Rwanda, Burundi and parts of the Democratic Republic of the Congo (DRC). Recent hostilities threaten, for example, to cut Ethiopia off from the two Eritrean Red Sea ports of Massawa and Assab. Given the close links between governance and economic performance, the region as a whole would be stronger and more stable if Kenya were more prosperous and better governed.

Trade must eventually replace aid as the fuel for economic growth and prosperity. Programs to improve governance in Kenya must focus on establishing the institutional infrastructure needed for regional trade. Only then can Kenya attract the investor interest and donor aid needed to develop the physical infrastructure that will in turn drive regional growth. A democratic and accountable Kenya would attract resources to anchor new transportation corridors and support regional trade. One such road or rail corridor might link the Port of Mombasa to Kinshasa via Kisangani. Another could complete the Great North Road to Moyale via Isiolo, thereby opening up Ethiopia. Completing the Kapenguria-to-Lokichogio corridor via Lodwar could open a reliable corridor to southern Sudan.

Thus democracy and good governance in Kenya is not only central to conflict reduction in the region—it is also the key to future regional trade-based prosperity.

PROBLEM ANALYSIS

The ultimate goal of USAID/Kenya's democracy and governance program is the institutionalization of democratic governance. While accurate, this is not specific enough to guide the development of a relevant program or performance measurement. A more specific statement and assessment of the problem—that is, the concrete obstacles to democratic governance that Kenya confronts at the present time—is needed to formulate policy. This section defines the “DG problem” in Kenya and discusses how USAID can support Kenyans in addressing that problem.

Manifestations of poor democratic governance

The specific problem assessment that drives USAID/Kenya's DG program is that Kenya is characterized by personal rule, rather than the rule of law, and by popular dissatisfaction and disaffection with the outcome of personal rule. This problem affects Kenyan men and women of all ethnic and socioeconomic backgrounds in a variety of ways.

Corruption

The regime's shrinking patronage base and need to continue feeding the assortment of clients and leaders in its loose coalition have produced a high level of corruption. Public investment and procurement decisions are often not made with the common good in mind but instead are based on the need to generate funds or other benefits that sustain the regime. Corruption discourages foreign investment, slows economic growth, and taxes ordinary citizens, for example through petty extortion by policemen.

Deterioration of public services

The negative consequences of personal rule include deterioration in the quality and quantity of essential public services. Corruption drains public coffers, reduces the budget

available for public services, and makes service providers far less responsive to public demands than to directives from the top political leadership. As a result, Kenya's roads and other economic infrastructure have deteriorated, vaccination rates have fallen, schools have declined, and the time required to obtain licenses, permits, passports, and other government services has increased.

Human rights abuses

The selective use of law enforcement and the court system to serve the interests of the ruling political coalition results in the common citizen, particularly women and marginalized groups, having no confidence that public institutions will guarantee him or her justice.

Electoral manipulation

Electoral manipulations in 1988 induced a high degree of cynicism in Kenyans—a marked change from earlier years, in which very high turnouts indicated a strong faith in the regime's integrity and willingness to abide by electoral rules. Since then, turnouts have declined precipitously in some areas, although for all the cynicism they remain higher than in American presidential elections. Voters now routinely interpret administrative error and shortfalls as deliberate manipulation. Even aggressive attempts at domestic and international monitoring have not restored the electorate's belief in the integrity of the system. The need of the Moi regime to ensure the safe return to Parliament of many increasingly unpopular leaders during those pre-multiparty years thus devalued the currency of elections and muddled the underlying bases of patron-client ties.

Lack of consensus

There are at least five areas in which a lack of consensus is feeding the primacy of personal rule:

- *Transfer of power.* There is a lack of consensus on the rules for and control over the transfer of power, and of who should legitimately inherit power. This includes the whole area of electoral process, most importantly constituency sizes but also party registrations, independent candidates, and electoral offenses and prosecution, as well as the larger questions of distributive justice that are so critical in African political thought—how should power be rotated among heterogeneous communities?

- *Separation of power.* There is a lack of consensus on the separation of powers, the legitimate sphere of the executive, and the legitimate role of other branches of government in holding the executive accountable. Recent confusion and disagreement over the roles of the judiciary and Parliament have been front-page news.

- *Central vs. local power.* There is a lack of consensus on central vs. local power, including a serious disagreement over federalism or other forms of decentralized governance, a disagreement that dates back to the independence era and to the independence constitution. Expression and protection of group rights turns on this issue, which will be central to constitutional reform when it occurs.

- *Individual rights.* There is a lack of consensus on individual rights, particularly the rights of anti-regime speech, press, and organizing. While Kenya has a bill of rights, the manner in which rights can be protected and adjudicated is ambiguous.

- *Limits of government.* There is a lack of consensus on the limits of government *vis-à-vis* civil society, individuals, and business. A consciousness is beginning to emerge, however, on the costs of economic over-regulation.

Directions for reform

Three things must occur to replace personal rule with the rule of law: structural reform to diffuse power and authority; institutional development of alternative poles of power and authority; and a shift in the political

culture to one demanding honesty and valuing public welfare.

Structural reform

In Kenya, as in most developing countries, power and authority are overly concentrated in the executive branch of the national government. There are few effective institutional mechanisms to check corruption and other abuses of power, protect human rights, ensure effective delivery of services, and encourage broad participation in political and economic decision-making.

Power and authority may be diffused from the executive branch to:

- Other branches of the central government such as the legislature or judiciary,
 - Local government, and
 - NGOs, the private sector, the media and other extra-governmental organizations, limiting the role of government.
- Achieving an effective balance of power among these institutions can greatly curb abuses of power and improve responsiveness to public needs.

Institutional development

Constitutional and legal reform are the principal means of changing the rules that govern how power is shared and exercised. While necessary, however, reform is not sufficient to ensure that newly empowered institutions of governance are effective in fulfilling their roles. Parliament, the judiciary, and other institutions that have oversight responsibility or that should act as checks and balances to the executive branch require institutional development to become effective.

Political culture

The mounting outrage over corruption, cronyism, and mismanagement is coming from Kenyan NGOs (including religious organizations) and the press. It is also important that the legal and regulatory framework reduce opportunities for rent-seeking behavior and that enforcement capacity be enhanced.

CONSULTATION & COLLABORATION

CONSULTATIVE PROCESS

Planning process

The Mission developed the DG strategy with extensive input from NGOs, the GOK, the private sector, donors, and influential Kenyans. The process started in 1998 with a democracy and governance mid-term review, which provided the Mission with an updated overview of the DG environment. For this assessment, the Mission brought a team of three consultants from United States who spent a month talking to parliamentarians, NGOs, the GOK, representatives of the private sector, other donors, and the U.S. Embassy about their views of the DG environment and what opportunities existed for DG programming.

The second consultative stage was the initial design of the DG strategy. During this several-month-long period, the Mission held three partner meetings with NGOs, ministers of Parliament, donors, and private sector representatives to discuss the mid-term review findings and recommendations and potential new directions. The Mission contracted with expert consultants on legislation, local government, and the judiciary to explore the potential for developing these institutions. The Mission Director then hosted a series of working luncheons with notable Kenyans on development of Parliament, the judiciary, local government, and polling and the press.

There was overwhelming support for the Mission's parliamentary support program from all those interviewed, although many partners recommended that steps be taken cautiously. In addition, there was broad consensus that civil society needed further strengthening to enable it to make effective demands on government institutions.

Thereafter, the DG team drafted the SOI statement and narrative, which were presented to the partners in a series of four

discussions held over a period of three months. Before submission of the DG strategy, team members met with at least 15 participants from partner organizations at each of the four discussions. The Mission spent a great deal of time discussing the results framework and the rationale for the SO statement. In addition, the DG team began discussing and developing indicators with the input of partners until everyone was comfortable with the results framework and proposed indicators. Further development of the indicators is ongoing and will include input from partners in rural areas.

The DG team has invested much time consulting reformist and conservative Members of Parliament from across party lines. In addition, the Mission Director and Chargé d'Affaires discussed the proposed assistance with the Speaker of the National Assembly.

In summary, the DG strategy was developed after an intensive consultative process with Kenyans lasting slightly under two years. During this period, USAID/Kenya talked to people with widely varying political opinions, business people, NGO partners and leaders, religious groups, and influential Kenyans. In all, over a thousand people representing these diverse groups were involved in the process. Consultations will continue as indicators are finalized, and throughout implementation of the strategy.

Other USG agency activities in democracy and good governance

Democracy and governance activities in Kenya are well coordinated and vetted among the USG Agencies. The U.S. Embassy Political, Economic, and Public Affairs sections and REDSO played key roles in developing USAID/Kenya's DG

strategy, and they remain critical to achieving Mission objectives.

Activities of USG agencies can be separated into two categories: dialogue and program activities. The U.S. Embassy plays a crucial role in promoting dialogue among the key stakeholders in Kenya to promote an environment supportive of democracy and governance assistance. This manifests itself in numerous ways:

- The Ambassador, DCM, and Political Counselor have regular dialogues with Kenya's political leadership on the need for constitutional reform, protection of human rights, the rule of law, improved governance (including the battle against corruption), and a more level electoral playing field.
- The Ambassador, the DCM, Political Counselor, and the Economic Counselor hold regular meetings with key civil society leaders to build bridges between Kenya's public and private sectors.

This dialogue also extends to the international community of donors and international financial institutions.

- For example, the Ambassador, USAID Director, and Economic and Political Counselors actively participate in the multiple-donor Economic Governance Group (EGG), which works with the government to improve policies, laws, and regulations facing the private sector, improve

management of public resources, and reduce corruption.

- Similarly, the DCM, Political Section, and USAID/Kenya actively participate in the multiple donor Democratic Development Group (DDG) and the Like-Minded Donors (LiMiD) group, which encourage political liberalization and coordinate DG donor assistance.

Unfortunately, all change in Kenya and the region is not towards democracy and good governance. But these fora help the international community to speak with a stronger and more united voice to advocate for democratic reforms and to promote a positive enabling environment for DG.

Finally, there are two other DG-related programs implemented by the USG in Kenya.

- The Embassy's Public Affairs Section supports speaker and exchange programs that regularly bring popular speakers to Kenya and send Kenyans to the U.S. and other countries. These programs specifically focus on promoting accountability and transparency in the government.
- REDSO's funding for conflict mitigation helps promote the political stability necessary for serious reforms which can also bring marginal groups—particularly in the northern pastoral areas—into the political dialogue.

CUSTOMERS

USAID/Kenya has worked collaboratively and productively with its immediate customers to develop the ISP and to implement its program.

The DG program's immediate customers are the civil society organizations and government institutions and the individuals in those organizations that receive funding, training, or other assistance directly or through USAID partners as described under Illustrative Approaches, below.

Indirectly, each and every Kenyan citizen, is also a beneficiary—whether urban or rural, female or male, young or old—because all Kenyans will benefit from increased availability of information on democracy and good governance, increased avenues of participation in their governance, a more effective Parliament, and increased respect for the rights of individuals. In the longer term all Kenyans will benefit from more effective and responsive institutions of governance.

OTHER DEVELOPMENT PARTNERS

Numerous other donors support democracy and governance in Kenya, believing it to be a prerequisite to achieving sustainable development. Only a few donors invest in working directly with the government on governance. Most donors instead focus on civil society.

Donor coordination

In recent years, coordination has increased among donors involved in DG activities in Kenya. Major fora are listed below.

- *The Democratic Development Group (DDG)* focuses on following broad political developments, making joint demarches to the GOK, and debating the merits of alternative approaches to democratic development.

DDG members are Australia, Austria, Belgium, Britain, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, the United States, and the European Union.

- *The Like-Minded Donors (LiMiD)* group is comprised of DG program managers from eleven embassies or their development agencies: Britain, Canada, Denmark, Finland, Germany, the Netherlands, Norway, Sweden, and the United States. LiMiD focuses on implementation and joint funding of programs to strengthen civil society. In May 2000, the LiMiD group decided to form subcommittees of donors interested in strengthening Parliament and the judiciary.

- *The Economic Governance Group (EGG)* is composed of ambassadors and directors of assistance agencies. EGG focuses on economic governance issues, including corruption, the size and role of government, and other constraints to investment and growth. Member countries are: the United States, Britain, Canada, Germany, the Netherlands, Italy, France, Japan, Sweden, Belgium, Denmark, the European Union, the IMF, the World Bank, and the UNDP.

Like USAID, several other bilateral donors have reviewed their democracy and governance strategies in light of the 1997 elections and current focus on constitutional reform. The main donors in the DG area are:

the British, Dutch, Danes, Swedes, Germans (primarily through the four German Foundations), and Canadians. A few others, e.g. the Finns and the Norwegians, fund activities with local organizations that contain an element of DG, primarily civic education. The total annual resources committed to DG activities from the combined bilateral effort is about \$10 million. Activities mainly fall in the broad category of civic education, and include a wide variety of target audiences, methods, and messages. The current focus is on civic education around constitutional reform.

Support for public institutional governance

Improving public sector management

Key issues are overstaffing, low pay and poor incentives to perform, inadequate operational budgets, and the non-enforcement of financial management regulations. Donors would like to see a reduction in the size of government through redefinition of its core functions, development of a viable pay policy, and the re-vamping of public expenditure management. Leading donors are: the World Bank, the United Kingdom, Germany, the European Union, and, to a lesser extent, Japan, the Netherlands, and France.

Enhancing accountability and integrity

Current issues for the donors are the autonomy and empowerment of the Office of Controller and Auditor-General, an effective Kenya Anti-Corruption Authority, and a complete overhaul of public procurement and contracting. Leading donors are: Canada, the United Kingdom, the World Bank, the Netherlands, the UNDP, and the U.S.

Promoting the rule of law

Major concerns are lack of implementation of the recommendations of the Kwach Report on judicial reform, poor administration of justice, and lack of court records and legal precedents. Significant donors are: the World Bank, the UK, the UNDP, USAID, Canada, and the Netherlands.

The United Kingdom will continue to support improved capacity in these portions of the public institutional infrastructure relevant to DG, in hopes that such support will motivate the *government* to fulfill its pledges to improve their performance. The Canadians, similarly, have funded both civil society organizations and public. Other bilaterals share the U.S.' reservations about supporting government efforts, in the absence of clear indications of transparency.

Support for civil society

The overwhelming focus of bilateral DG funding is towards civil society organizations rather than government institutions. Members of LiMiD are the leading donors. The main focuses of several donors are: women's organizations and improving the access of women to justice and resources; supporting education; and improving child health and welfare. Another recent effort was the domestic election observation project, which four donors (the United Kingdom, the Netherlands, Denmark, and Sweden) collaborated to support in the last quarter of 1997.

RESULTS TO BE ACHIEVED

THE STRATEGIC OBJECTIVE

Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance

The proposed strategic objective both reaffirms and extends the SO pursued in 1996-2001. Where the previous strategy promoted the ability of civil society to demand reforms, the new strategy strengthens and institutionalizes that ability. But it will also result in the implementation of political and economic reforms at the national level. To achieve SO1, two key steps must be taken:

- *Development of a consensus or compromise on what the fundamental law comprises.* A new social contract is currently being debated in Kenya in terms of a new constitution, but which can also be conceived as a wide-ranging set of reforms of the existing constitution and legal codes.
- *Empowerment of institutional mechanisms that can impose increased accountability of the government, and specifically on the unchecked executive.*

The development hypothesis, therefore, requires the implementation of three intermediate results: a civil society that effectively demands political, legal, and constitutional reforms and that plays its part in sustaining demand and monitoring government compliance with that demand (IR6.1); more independent government institutions (IR6.2); and accountability mechanisms (IR6.3).

Demand for reform by civil society

There is no substitute for effective demand for reform, and there will be no sustainable reform without demand. The need to support a viable, constructive, capable civil society in Kenya has been and remains the most

critical element in the promotion of democracy. Real democracy requires a knowledgeable citizenry of men, women, and youth, organized to voice their demands and exercise accountability on a continuing basis, rather than on the limited basis provided by elections. However, if citizen demands for reforms are to be sustainable, there must also be opportunities for CSOs representing the interests of communities and disadvantaged groups, including women, within those communities to engage government institutions. This leads to the second result of the strategy.

Independent government institutions

The development hypothesis asserts that more independent government institutions are also necessary to achieve the strategic objective. The role of these more independent government institutions is twofold. First, they will create a means for channeling the CSO demand into reforms. Second, they will serve as mechanisms for greater government accountability and transparency.

It is worth emphasizing that the Mission is taking a focused approach in its support for government sector institutions in two distinct ways. First, the Mission will closely monitor selected government institutions and only provide support when there is evidence that the foundations for and commitment to increasing independence are in place. Second, the sought-after results are discrete and limited.

In the long term, a major goal for Kenya will be the establishment of effective government institutions. The Mission recognizes that achievement of its proposed strategic objective will, in part, contribute to the development of these effective institutions. However, the proposed activities in this strategy will not be sufficient to create

effective government institutions, and USAID cannot contribute measurably to the empowerment and capacity-building necessary in these institutions with the limited resources at its disposal. The GOK will play the decisive role in building these institutions. Other donors, both bilateral and multilateral, will contribute, as will civil society support groups. USAID can, however, contribute strategically to this effort.

Specifically, the Mission can assist in the development and empowerment of mechanisms within one or more of these institutions, contributing to their independence and ability to exercise oversight of the executive branch of government; and to be more accountable to the citizenry, including men, women, and youth. In other words, the USAID strategy will specifically focus on making these select government institutions more independent, but will not hold itself accountable for the longer term goal of creating effective government institutions. The development hypothesis is that increased independence is necessary to achieve USAID's objective.

Accountability in elections

Lastly, the strategic objective requires mechanisms for accountability. Some of those mechanisms will be developed as described above. However, because regular elections are the ultimate expression of accountability, they are highlighted separately as the third component. Elections are critical to allow all citizens, both male and female, to voice their opinion and to hold elected officials accountable for their actions. In this strategy, regular, more transparent, more competitive electoral processes are key to continuing the sustained demand for reforms as well as holding the government accountable for those reforms. Note, however, that this is an area where other development partners and the GOK will take the lead role and be responsible for achieving several of the anticipated results.

Gender as a cross-cutting theme

A long history of patriarchy in Kenya has systematically biased governance institutions against the participation of women in politics. The Mission's support for activities

to improve the balance of power among institutions of governance will be incomplete if these institutions continue to be used to legitimize and support the marginalization of women. Restoring the balance of power therefore includes removing the gender imbalance built into those institutions. In the medium term, civil society support will include assisting organizations that are working to have restrictive customary and traditional practices repealed. In the long-term, the Mission can support broader constitutional and electoral reform that simultaneously deepens democracy and promotes the involvement of women in politics.

Convergence with GHAI objectives

USAID/Kenya's program converges with the Greater Horn of Africa Initiative in the area of conflict prevention and mitigation. USAID/Kenya's program directly addresses the root causes of much of the conflict that arises within Kenya.

GHAI funds, supplemented by USAID/Kenya programming, are directed towards conflict resolution issues and activities that may and do cross borders. Periodic meetings with USAID/Kenya, GHAI, and REDSO staff assist all three to identify grantees, track the performance of those that are funded, and keep staff acquainted with substantive conflict issues that affect the success of their grantees.

For a thorough treatment of how the USAID/Kenya program deals with conflict, see Annex 3: Conflict Vulnerability Assessment.

Convergence with USG objectives

Democratization is among the United States' most important foreign policy interests in Kenya, and USAID/Kenya's DG program is in total convergence with that objective. In addition, as noted elsewhere, a more democratic and well-governed Kenya will be more attractive to trade and investment for economic development, another key area of USG foreign policy interest in Kenya.

Convergence with GOK objectives

The government of Kenya's Interim Poverty Reduction Strategy Paper (I-PRSP) is the most recent articulation of GOK goals. It emphasizes accelerating the rate of real economic growth as the most important way to achieve broad-based improvement in the standard of living. The I-PRSP stresses creation of an enabling environment for business, reform of the public sector, and concentration of public resources on activities that will reduce poverty. There is fair convergence between the emphases of the I-PRSP and USAID's DG strategy.

SO6 has a high degree of convergence, though indirectly, with the goal of reducing poverty in Kenya. Poverty has many causes, some of which cannot be attributed directly to governmental weakness or malpractice. Nevertheless, DG efforts in various areas can contribute to economic growth that reduces poverty. Preventing or mediating conflict encourages sound investment; anti-corruption efforts reduce the misuse of public resources; civic education, supplemented by greater media freedom and outreach, empowers citizens by raising their levels of awareness of social ills and increases their confidence to defend their interests. Each society, of course, determines the priority of poverty alleviation and eradication among its public goals. But a responsive political system, even in a poor

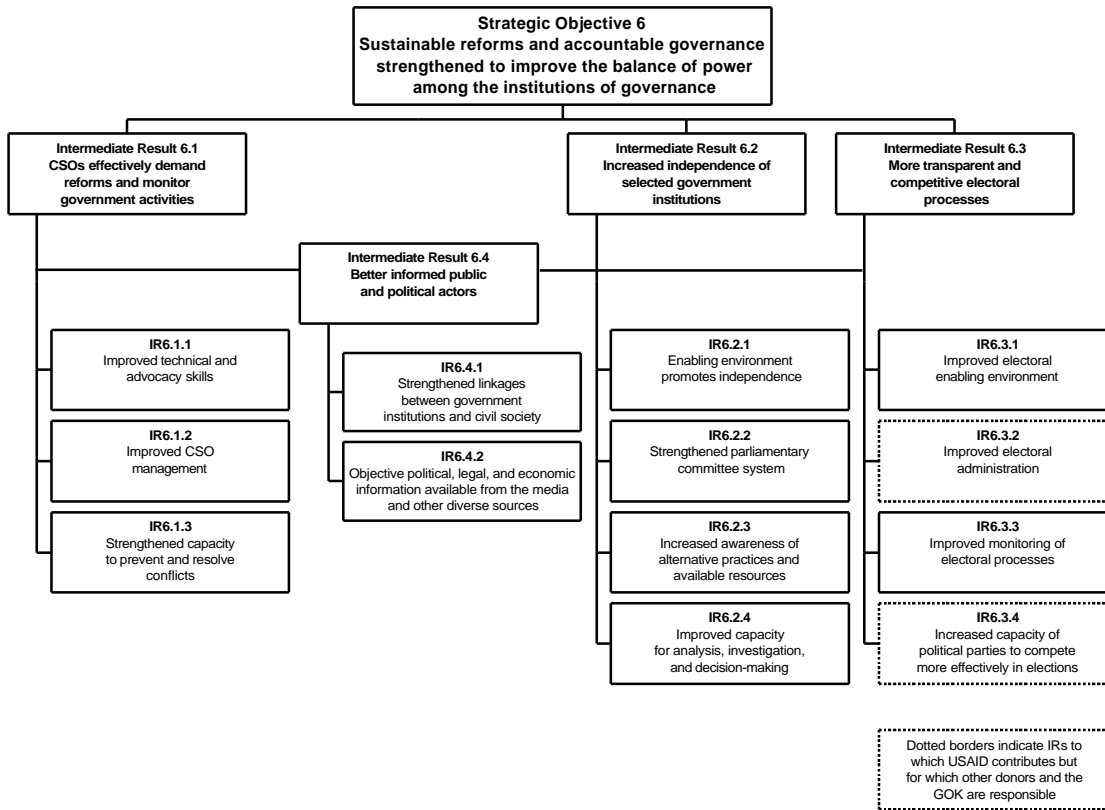
country, must by definition be more attentive to public demand than a less responsive political system. DG efforts contribute to such responsiveness.

Specifically, the I-PRSP stresses the need for sound land use, and water and environmental policies consistent with long-term agricultural production and protection of water catchment areas. SO6, and particularly IR.1. and IR6.2.4, will increase the capacity of CSOs to demand and monitor government activities, and create an enabling environment for improved decision-making in these areas.

The I-PRSP emphasizes the importance of improving and reforming public administration but ignores the importance of fundamental political and constitutional restructuring and reform. Such shortcomings may be explained by the fact that the I-PRSP is viewed very much in the context of public finance and restarting an IMF program in Kenya. SO6 has strong convergence with the goal of reforming and improving public administration.

The Mission's DG strategy has not been formally negotiated with the GOK as a whole. Potential assistance to institutions of governance (the new element of the DG program) has been discussed with leaders of each potential benefiting institution, however, and proposed assistance is consistent with their priorities.

RESULTS FRAMEWORK



Cross-cutting theme:

Activities in this strategy will stress women's participation to achieve the identified results.

ASSUMPTIONS AND CAUSAL RELATIONSHIP

Assumptions

To achieve strategic objective 6, the following major assumptions must be satisfied.

- Liberalization of the political environment continues and does not revert to the pre-1992 repressive period.
- Economic conditions do not deteriorate to such a degree that the program would be fundamentally undermined.

If these assumptions are satisfied, USAID/Kenya investments towards the planned results will contribute to Kenya's democratization process.

Causal relationships

The results framework for SO6 consists of three high-level intermediate results (IRs) and fifteen lower-level results, all leading to the achievement of the strategic objective. Each of the three high-level IRs is described as it contributes to the achievement of SO6. Within each, contributing lower-level IRs and causal relationships are discussed.

The Mission intends to pursue the strategic objective through activities focused on

achieving the following three highest-level intermediate results:

- IR6.1 CSOs effectively demand reforms and monitor government activities
- IR6.2 Increased independence of select government institutions
- IR6.3 More transparent and competitive electoral processes

IR6.1, IR6.2, and IR6.3 are logically linked. CSP 1996-2000 included a two-prong approach: the development of civil society organizations to generate information and advocate for reforms, and more transparent electoral processes. The Mission now proposes adding a third prong: support for selected government institutions to promote their independence. The hypothesis is that—with more independent government institutions—not only will demanded reforms be sustainable, but also mechanisms for both elections and government accountability will be strengthened. These two elements will work to improve the balance of power among the institutions of governance.

Below the high-level IRs, there are several lower-level results necessary to achieve the objective, discussed in detail below.

INTERMEDIATE RESULTS

Intermediate Result 6.1 Civil society organizations (CSOs) effectively demand reforms and monitor government activities

The Mission has assisted and observed a wide spectrum of civil society organizations and leaders during the past five years with positive results. CSOs receiving support to improve their effectiveness will specifically include organizations that emphasize and promote women's advancement at various levels and pertaining to various issues. Its experience has led to an evaluation and an evolution of the civil society strategy and an improved understanding of what is necessary to achieve IR6.1. Lessons learned include:

- Civil society organizations carry more weight with opinion leaders/public actors in Kenya when they are membership organiza-

tions, representing the interests of important segments of society. The Mission will, therefore, attempt to emphasize these in the five-year planning period. Examples are professional associations, religious groups, women's groups, and labor economic interest groups.

- Civil society organizations generally mirror the pathologies of Kenyan society, including those of the government sector. Capacity-building to enable them to develop long-term strategies for sustainability, including systematic personnel turnover and renewal, is essential to the progressive development of Kenyan civil society.
- Civil society organizations with a human rights advocacy orientation have played an essential role in generating information that broader groups, such as religious organizations, use in civic education and in repre-

sentations to government. The advocacy skills of these organizations are weak and need support and development.

- The impact of the Mission's civil society program could be increased by focusing support on three or four key substantive areas. While the mid-term review proposed focusing on business and economic advocacy groups, natural resource management groups, constitutional reform advocacy groups, and women's groups, the Mission may alter or increase these emphases in accordance with emerging political opportunities.

These four lessons will improve the long-term sustainability of demanded reforms and enhance the long-term sustainability of CSOs. It is also worth highlighting that, as in the 1996-2000 CSP, the Mission will continue to emphasize support to CSOs focusing on empowering women.

With these lessons in mind, and continuing to emphasize the promotion of women, USAID/Kenya has identified the following four intermediate results necessary to achieve IR 6.1.

IR6.1.1 Improved technical and advocacy skills, including media strategies, are essential to provide and effectively communicate the types of information that decision-makers need. This is a basic building block to creating effective demand for reform and accountable governance. Kenya's CSOs have developed an admirable arsenal of advocacy approaches and tools, but these could be improved. Media and information dissemination skills are particularly in need of improvement. Analytical skills, especially those involved in costing the impact of specific policies or lack of policy, are also an important area for improvement.

IR6.1.2 Improved CSO management is critical to their ability to sustain effective demand. Many CSOs in Kenya are new. The Mission's program has nurtured a number of start-up NGOs with a single-issue or single program focus. Many of these are the products of one (or at most a handful of) individuals with an idea and the desire to implement it, but with little commitment to or understanding of long-term institutional development. These NGOs remain the personal property of their founders. When

these founders lose interest, move on to a new focus, or face internal conflict, the organizations suffer. Internal accountability is sometimes weak. Long-term strategic organizational plans are extremely rare. For these organizations to play a credible role in enforcing government accountability, they must be increasingly accountable. To improve CSOs' institutional capacity, the Mission needs to monitor and evaluate its grantees' performance, and provide relevant technical assistance.

IR6.1.3 Strengthened capacity to prevent and resolve conflicts was present in the 1996-2000 strategy and continues to be important, since the potential for conflicts is an ongoing concern for Kenya and USAID. It is critical that CSOs are adequately equipped with skills to assist them in preventing and resolving conflicts. In the Kenyan context, these are also important skills for demanding reforms and monitoring government activities, since more peaceful demands also contribute to the credibility and effectiveness of CSOs.

Consequently, support for church groups, which are providing civic education around the electoral process to minimize violence and conflict, has been and will continue to be important. Support for groups teaching conflict-prevention and resolution techniques and mobilizing communities in clash-prone areas will also continue, even beyond the electoral cycle.

IR6.4¹ Better-informed public and political actors, is a result necessary to the achievement of IR6.1, IR6.2, and IR6.3. The Mission proposes targeting public and political actors and opinion leaders (e.g. MPs) through government institutions, through CSOs with mass memberships and representational interests (e.g., professional and business associations), and through CSOs with a broader human rights mandate (e.g., the church). These leaders must support and be knowledgeable about a

¹ The result *Better informed public and political actors* has been labeled IR6.4 for simplicity. From a methodological perspective, this result is actually a lower-level result necessary to achieve IR6.1, IR6.2, and IR6.3. However, rather than label the result IR6.1.4/IR6.2.5/IR6.3.5, which would reflect its causality, it is labeled IR6.4.

consistent set of reforms and demands for accountability, if these demands are to be effective. They, in turn, play critical roles in educating the citizenry and representing its interests, channeling information both upward and downward. The Mission's main focus in this strategy refinement will be to ensure that CSOs and the civil society leadership that it supports are indeed strategic, popular, representative, and open-minded about the contents of a reform agenda.

To have better informed public and political actors there are two necessary lower-level results, IR6.4.1 and IR6.4.2.

IR6.4.1 Linkages between government institutions and civil society strengthened is one of the most important results in the Mission's framework. Technically and managerially competent CSOs—that can better articulate citizen demand and have broad-based support—are necessary but will not be sufficient to achieve IR6.1. A critical element of the hypothesis calls for the development and use of mechanisms to channel citizen demands. Some of those mechanisms will be developed and used among various CSOs. However, to be effective, there must also be mechanisms for CSO to effectively engage government institutions.

The proposed strategy emphasizes the linkages between civil society demand creation and government institutions while CSP 1996-2000 emphasized civil society demand creation. A variety of activities have contributed to the generation of different types of demand, including electoral demand, mass rallies, and demonstrations, as well as workshop statements, pastoral letters, and parliamentary contributions. Much of the civil society program the Mission has pursued has generated information, upon which effective demand can be based.

There is now a need to develop productive public fora through which civil society can interact with decision-makers. Information needs to be presented where it has strategic value, rather than being confined to confrontational arenas and methods, such as the streets. Instead of being confined to the usual channels—through appropriate civil servants

to the executive—fora need to be public. Examples of such linkages include:

- *The Parliamentary Committee System* is seen by the Mission as the most promising of these fora. Parliamentary committees can and do invite CSOs to present information and advocacy germane to the legislation under consideration or the problems they are investigating. Although committee meetings are closed to the public, committee proceedings are often well publicized and are sometimes recorded.
- *Public/private partnerships* to implement specific projects are a less institutionalized way to accomplish this result. For example, CSOs can build rapport between relevant CSOs and the government sector by organizing budget or sectoral hearings with government representatives in attendance. Support to CSOs concerned with gender issues will be included.
- *Other institutional mechanisms* that could serve this function include citizens' review boards (including both men and women), which are not present in Kenyan practice, and commissions and task forces, which are.

This IR represents the linkage between the government sector support the Mission envisions (described under IR6.2, below) and the civil society support it has previously pursued. Linkage mechanisms will greatly enhance the impact CSOs can have, breaking the self-defeating cycle of advocacy being perceived as, and degenerating into, antagonistic, hostile, anti-state activity. However, having the mechanism alone will not be sufficient to produce better informed public and political actors; information has been and continues to be critical, which leads to the next result.

IR6.4.2 Objective political, legal, and economic information available from the media and other diverse sources represents

the other critical element of informing actors and the public. Comprehensive and accurate information and diverse points of view are also necessary for actors to effectively channel their positions to CSOs and government institutions. There are a variety of ways to achieve this result. A few of the most critical include:

- Developing the media's ability to report accurately and analyze political and eco-

nomic issues and to conduct investigative journalism.

- Increasing the use of opinion poll data as barometers of both male and female public opinion.
- Publishing Kenyan law reports. The lack of published case decisions hinders the judiciary in the application of consistent rulings and increases the opportunity for adjudication of cases based more on executive influence than transparent application of the law.
- Developing the media's ability to report and analyze political and economic issues in a non-gender-biased manner.

Intermediate Result 6.2 Increased independence of selected government institutions

As mentioned earlier, sustainable reforms and accountable governance require that key government institutions have the ability to impose accountability on other institutions, notably to exercise oversight of the executive. This requires greater independence of government institutions. In order to achieve this result, the Mission has identified four necessary lower-level results, described below.

The Mission's results framework envisions interventions to selected government sector institutions. The 1998 mid-term review of the Mission's strategy assessed other relevant GOK sector arenas and found that several were constrained by a lack of independence and/or the political commitment necessary to pursue USAID's strategic objective. Over the next five years, some of these GOK arenas and nongovernmental institutions could become relevant to the Mission's strategic objective, depending on the outcome of the constitutional reform process and the period leading up to the 2002 elections. These include but may not be limited to:

- The judiciary.
- Local government.
- The Office of the Ombudsman, which is not currently in existence, but is supported by strong forces on both sides of the aisle in Parliament.
- The Police Review Commission (or other citizens' review vehicles which are not

currently in existence, but are sorely needed and are likely to command the same support as an Ombudsman).

- The Office of the Attorney General.
- The Office of the Controller and Auditor General.
- The Kenya Anti-Corruption Authority.

With the exception of IR6.2.2 (which specifically addresses the parliamentary committee system), IR6.2 and the lower-level results are relevant to any of these government institutions. However, certain benchmarks evidencing independence and political commitment would need to be met before the Mission commits to working with these institutions. In addition to the Parliament, the Kenyan Anti-Corruption Authority is very close to meeting these conditions for assistance. The following discussion of lower-level results is presented in terms of the Parliament since the Mission believes that Parliament currently meets those conditions.

IR6.2.1 Enabling environment promotes independence reflects the minimum requirement necessary for the development and promotion of independence. A Parliamentary Services Commission bill is necessary to promote Parliament's independence. Such a bill was passed in November 1999.

IR6.2.2 Strengthened parliamentary committee system represents the need for a well functioning parliamentary committee system to play a key role in developing the reform process and oversight of the executive. The committee system has been revitalized by Parliament itself and has already begun to play a role in oversight and increasing parliamentarians' legislative input. It is also providing a forum for civil society actors to present the viewpoints of strongly interested citizens' groups. NGOs implementing USAID's population and health activities have testified in committee hearings and are enthusiastic. At least two of the committees have become proactive, calling for representatives of the executive, including cabinet ministers, to appear and explain government's intentions, actions, and shortcomings.

Most importantly, the committees comprise roughly equal numbers of members of KANU and opposition parties. The KANU backbenchers who chair all the committees now have a constructive forum for voicing criticism of government in an arena where party differences are greatly diminished. This is the way the parliamentary system is supposed to operate—but has not in Kenya since a brief period immediately following independence.

A strengthened committee system by itself will not have optimal impact without MPs improving their parliamentary and analytic skills (or accessing resources to complement their skills.) The Mission will pursue additional results in this area to ensure the desired impact.

IR6.2.3 Increased awareness of alternative practices and available resources will promote better Internet connectivity and exchanges with regional parliaments. This contributes to independence by informing government officials about other countries' institutions and resources. The theory is that additional exposure to African government institutions will be a catalyst for Kenyan government institutions to advocate for more independence and to gain insights into the ways other institutions have gained independence and effective oversight of the executive branch.

IR6.2.4 Improved capacity for analysis, investigation, and decision-making focuses on providing critical skills for demanding independence and exercising that independence, relating to activities promoting oversight of the executive. In Parliament, this is initially likely to be committee staffers who can find relevant material and provide syntheses to MPs. In the long term, a parliamentary resource and research center would evolve. Training on parliamentary roles and procedures for MPs wishing to learn how to use the mechanisms of parliament more creatively might be included. There are many new MPs, and there is a widely voiced demand for an orientation to effective parliamentary participation. Several donors, including the United States, have sponsored exchange visits to Western legislatures, but these benefit only a chosen few.

IR6.4 Better-informed public and political actors is the final result necessary for increased institutional independence. Since this result has already been discussed above, it will not be discussed again at length here. But, to reiterate, the hypothesis is that there must be a better-informed set of actors who can voice their concerns and demands to government officials, directly or through CSOs. This includes developing linkage mechanisms which will provide the foundations to improve the performance of Parliament, providing Parliament with the information generated by CSOs and more accurate citizen opinion, enhancing their own legitimacy and accountability. This will also enhance their ability to remain independent from the executive branch of government.

Intermediate Result 6.3 More transparent and competitive electoral processes

Regular, transparent, and competitive electoral processes are important to democracy. Of particular importance to this strategy is elections as a tool for expressing citizen demand for reforms and for holding government officials accountable. The elections of 1997 were a major improvement over the elections of 1992, but there is much room for improvement. Transparent and competitive electoral processes call for impartially administered elections where all citizens (men and women) have the right to vote without unreasonable impediments. Kenya also needs an environment where political parties are more competitive and responsive, and citizens are knowledgeable about the political process and the issues that shape party platforms and the political decision-making process.

To achieve more transparent and competitive elections, four lower-level results are necessary, as outlined below. Given the current proposed funding level, the Mission is focusing on only three of the lower level results, IR6.3.1, IR6.3.3, and IR6.4. USAID/Kenya has a comparative advantage in those areas and they are within the Mission's manageable interest. The GOK and other development partners will take the lead in achieving IR6.3.2 and IR6.3.4, and

for making the elections more competitive. The Mission will provide additional support for IR6.3.2 and IR6.3.4 as resources permit.

IR6.3.1 Improved electoral enabling environment is critical to the improvement of Kenyan elections. Laws and regulations addressing the independence of the Election Commission of Kenya (ECK) and equal media access for political campaigning are critical to create a more level playing field for political candidates.

IR6.3.2 Improved electoral administration is fundamental to the electoral process. In the past, the problems with the electoral administration have included poor voter registration rates, lack of public access to voter registration lists, unacceptable delays, and lack of transparency in reporting final tallies. Although major improvements were made in 1997, the administration of the election was considered weak. The ECK's administrative capacity, transparency, and integrity were all questioned.

IR6.3.3 Improved monitoring of electoral processes is also essential to improve the transparency of the elections. There is a need for credible, competent, and widespread election observation. The strategy looks at monitoring as a long-term process rather than a one-day event. Attention to monitoring the pre-election environment as well as election day monitoring will be considered. Pre-election monitoring will include support to CSOs with monitoring capabilities, think tanks, media, and other sources of informa-

tion. In reaction to obvious flaws such as those on election day in 1997, election day monitoring will concentrate on increasing the credibility of the monitoring groups and preparing them for a more critical approach.

IR 6.3.4 Increased capacity of political parties to compete more effectively in elections is also necessary in order to provide the foundation for more competitive elections. At this time, given the stage of political party development, the potential types of assistance are limited. However, the strategy does envision providing training to members of political parties so that they are aware of their rights and responsibilities as candidates and can take advantage of mechanisms for better communicating their platforms and campaign issues.

IR6.4 Better informed public and political actors is the final element critical to more transparent and competitive elections. Although this result has been discussed above (as it pertains to IR6.1 and IR6.2), in the context of elections, the focus is on information about electoral systems, rules, and issues. It is widely held that Kenyans tend to vote based on patronage and ethnicity, rather than on the issues. It is important that more information be available to both men and women on the issues, political party platforms, how to register to vote, and how to vote. Information on who votes, disaggregated by sex and geographic location, should also be widely available.

ILLUSTRATIVE APPROACHES

The activities through which USAID will pursue the results outlined above will depend on how the political environment unfolds. Four possible scenarios for the next five to eight years are described below. They have implications for the tactics that USAID uses—but not for the strategy itself, which is based on the underlying problems confronting democratic governance, and not on Kenya's short-term political environment.

These scenarios would have the following likely implications for specific activities and approaches in terms of parliamentary support.

“Rosy” scenario

This scenario assumes significant progress in the political and economic environment and justifies significant investment in those civil society and public institutions that can contribute to the achievement of the strategic objective.

Civil society

- Funding key NGOs that provide input into parliamentary and justice sector information generation. Examples: CGD, which runs workshops for parliamentarians; IEA, which produces policy analysis, documents and workshops; PLI, which pursues public interest litigation; and others as relevant, particularly those advocating on women's issues.
- Funding membership-based CSOs representing members' interests in public fora, including CSOs focused on women's issues. Examples: KAM, which provides policy recommendations from the manufacturing community to the Ministries of Finance and Planning; KNUT, which represents teachers' interests; other professional associations relevant to specific policy areas and the establishing professional ethics for doctors,

lawyers, nurses, university staff, accountants, auditors, surveyors, architects, contractors, bankers, large farmers, and the cooperative movement.

- Funding NGOs and CSOs providing targeted civic education. Examples include churches, women's networks, and a growing network of groups doing conflict-resolution and conflict-prevention education.

Government institutions

Parliament

- Funding initial activities in workshops and the U.S. Embassy's International Visitors program.
- Discussions with the House administration on support for committee staff development.
- Technical assistance to committee staffs (FY2000/01 and FY2001/02) and preparatory work on parliamentary research services and resource center.
- Funding for a parliamentary resource center (FY2002/03, depending on benchmark review at that time).

Justice sector

- Funding an experimental program to produce law reports.
- Providing preliminary technical assistance to the judiciary on improvements in case management.

Local government

- Providing assistance on a pilot basis to selected provincial, district, division, location, or sub-location authorities in improving transparency, accountability, service delivery responsiveness, cost-recovery, and/or raising and retaining local revenues. Any supply-side assistance to local government would only be considered in the out-years of this planning period if constitutional reform was enacted which significantly increased local government independence.

Other public sector support

- Supporting other public institutional arenas (e.g. the Kenyan Anti-Corruption Authority) that might become relevant under the rosy scenario, as indicated above.

Elections

- Providing advisory assistance to NGOs, the Parliament, and political parties/actors advocating policy/legal/regulatory reforms of the rules governing election campaigns and voting.
- Providing technical assistance to an independent and credible Kenyan Electoral Commission.
- Providing election monitoring.
- Providing technical assistance to political parties.

Information

- Providing advisory assistance and other support to professional associations advocating improved journalistic standards, protection of journalists' rights, and liberalization of broadcasting media.
- Providing training and exchanges for journalists in investigative journalism and economic reporting.
- Providing support to a professional association to develop Kenyan industry standards for public opinion and support for increased polling.
- Providing support for selected conferences and other fora enabling government institutions and civil society to share information and discuss key reform issues, such as those relating to reform on women's legal rights.

Prioritization and funding scenarios

Clearly, USAID/Kenya will not be able to fund all of the activities listed above. Given the Agency's continuing inability to obtain adequate appropriations for DG programs, the Mission will have to pick from among these and other activities as the political situation evolves, as opportunities arise, and as funding becomes clear.

At the time of this writing, the Mission's top priority is *IR6.1, CSOs effectively demand reforms and monitor government activities*. USAID/Kenya's second priority is shared among activities relating to Parliament, the electoral process, the press, and polling. USAID/Kenya will take on the other

institutions of governance listed above only if sufficient funding is available.

"Best guess" scenario

This scenario assumes moderate improvements in the political-economic environment. It justifies significant investment in civil society and modest investment in public institutions.

Civil society

- Funding key NGOs providing input into parliamentary and justice sector information generation. Examples as outlined above, with emphasis on media dissemination of strategic information.
- Funding some membership-type CSOs that represent their members' interests in public fora. Examples as outlined above, with emphasis on CSOs representing the interests of memberships relevant to USAID's other strategic objectives, and those focused on women's issues.
- Funding CSOs working to prevent electoral process conflict.

Government institutions

Parliament

- Funding workshops for MPs through relevant NGOs.
- Funding NGOs providing information to parliamentarians on issues related to key legislation and oversight of the executive.
- Monitoring benchmarks, such as numbers of committee meetings, bills reported out, amendments or other committee output, and CSO accessibility. If warranted, USAID begins discussions with House leadership on staff development support.

Justice sector

- Funding an effort, through an NGO, to produce law reports.

Local government

- USAID only supports local governments through demand-side neighborhood associations and other NGOs working to empower citizens *vis-à-vis* their local governments.

Other public sector support

- Providing assistance to the KACA, if it proves to be a credible institution.

Elections

- Providing advisory assistance to NGOs, Parliament, and political parties and actors advocating policy, legal, and regulatory reforms of rules governing election campaigns and voting.
- Providing technical assistance to an independent and credible Kenyan Electoral Commission.
- Providing election monitoring.
- Providing technical assistance to political parties.

Information

- Providing advisory assistance and other support to professional associations advocating improved journalistic standards, protection of journalists' rights, and liberalization of broadcasting media.
- Providing training and exchanges for journalists in investigative journalism and economic reporting.
- Providing support to a professional association to develop Kenyan industry standards for public opinion polling and support for increased polling.
- Providing support for selected conferences and other fora which enable government institutions and civil society to share information and to discuss key reform issues such as those relating to women's legal rights.

"No change" scenario

This scenario assumes no change from the political and economic environment of 1999. It justifies an investment strategy similar to the present civil society strategy, but with increased focus on CSOs that target key public sector institutions as the consumers of their advocacy and information. Support for the press and an improved electoral process would be accomplished through NGOs.

Civil society

- Funding NGOs with specific, targeted policy interests, including natural resource management, justice sector reform, and economic policy issues.
- Funding CSOs with conflict identification, prevention and resolution agendas. Emphasis is put on monitoring and preventing pre-election conflict.

- Funding women's networking efforts and civic education providers (such as churches) which have broad grassroots constituencies.

Government institutions

- Funding workshops on Parliament through appropriate NGOs, but postponing discussion of parliamentary staff development until after the 2002 election.
- Funding CSO think tanks producing information for MPs. These would be on the "alternative resource center" model (i.e., a resource center that could be a basis for a parliamentary resource center, but that is entirely outside of parliament until and unless the environment improves.

Elections

- Providing advisory assistance to NGOs, Parliament, and political parties/actors advocating policy, legal, and regulatory reforms of rules governing election campaigns and voting.
- Supporting election monitoring.
- Supporting technical assistance to political parties.

Information

- Providing advisory assistance and other support to professional associations advocating improved journalistic standards, protection of journalists' rights, and liberalization of broadcasting media.
- Providing training and exchanges for journalists in investigative journalism and economic reporting.
- Supporting a professional association developing Kenyan industry standards for public opinion polling and support for increased polling.
- Supporting selected conferences and other fora enabling government institutions and civil society to share information and discuss key reform issues.

"Worst case" scenario

The worst case scenario assumes significant deterioration in the political and economic environment. USAID's investment strategy would be to focus on CSOs that document economic and human rights situations and bring them to the notice of both the Kenyan public and the international community.

- Funding CSOs that generate information on the human rights situation, the economy and

its impact on citizens' rights and living standards, and conflict. Emphasis is put on a media strategy to ensure widespread dissemination of the information, both domestically and internationally. Activities promoting conflict resolution would also be a major area of focus, funded by both USAID/Kenya and GHAI.

- Funding NGOs generating information targeted to parliament or the judiciary.
- USAID and the U.S. Embassy Public Affairs Section aggressively pursuing an international visitor program, including parliamentarians and key actors in the justice sector.

PROGRAM SYNERGIES

Synergies with SO7, Increased rural household incomes

Increasing rural household incomes requires the implementation of policies to promote: investment in agribusiness; efficient use of resources; trade and competition; enterprise development; and the ability of groups to organize and pursue business interests. The DG strategy promotes these policy changes in several ways:

- Increasing the effectiveness of advocacy organizations such as the business associations and women's groups that are advocating for the policy change as outlined in SO7.
- Supporting think tanks that provide policy analysis and new approaches to promoting trade, investment, and economic policies—including the promotion of agribusiness.
- Promoting the development of linkage mechanisms so that business associations advocating for reforms and think tanks researching critical policy issues have access to and impact on relevant parliamentary committees to enable more effective review of legislation. These committees would include the Parliamentary Committee on Agriculture, Lands and Natural Resources.

The goal of the DG strategy is to support linkage mechanisms so the Parliamentary Committee on Agriculture can receive expert information and advice from the think tanks, advocates for women, and business associations that will empower the Committee to become an effective legislative forum. The hypothesis is that these sectoral committees will pass technically sound, essential, and sustainable reforms required to achieve SO2, while promoting a better balance of power.

Synergies with SO3, Reduced fertility and risk of HIV/AIDS transmission

SO3 will also benefit SO3 in the policy arena. SO3 implementing partners have already testified before a parliamentary

committee, resulting in the passage of critical legislation. As the DG strategy works more directly with the Health, Housing, Labour and Social Welfare Committee, passage of additional legislation can be promoted. In addition, a particular focus of the HIV/AIDS strategy is promotion of political leadership and advocacy for HIV/AIDS victims. One tactic is to encourage members of Parliament to advocate effectively against social, economic, and cultural practices adversely affecting the public campaign against HIV/AIDS and reproductive health. SO6 will promote civil society and parliamentary linkages, thereby giving health CSOs more direct access to key MPs. Access will enable CSOs to provide MPs with information encouraging MPs to take a proactive stance in the fight against HIV/AIDS.

Synergies with SO5, Natural resources management

Similar policy changes are possible in the natural resource management (NRM) sector. The NRM results framework identifies several lower-level IRs aimed at creation and/or passage of environment policies such as a wildlife conservation and management bill, an environmental management and coordination bill, a land use policy, a wildlife and forest policy, and a forest bill. All require the cooperation and commitment of members of Parliament, which can be facilitated by the DG strategy. Think tanks supported by SO6 will provide information and recommendations on environmental policies. In conducting policy analysis, these think tanks can collect information from the same CSOs supported under SO5. Although the DG strategy will not directly fund environmental civil society organizations, SO6 and SO7 teams can collaborate to encourage USAID partner CSOs to use

mechanisms linking civil society and Parliament. This can provide another channel for CSOs to voice their demands and share their knowledge with MPs. The Parliamentary Committee on Agriculture, Lands and Natural Resources—committee targeted for strengthening—can effectively review and enact policies based on expert information received from environmental CSOs and policy think tanks.

Although not directly supporting changes in the policy environment, SO6 does support the Amboseli/Tsavo Group Ranches Association, a broad-based membership organi-

zation providing outreach to rural areas. The group's primary focus is the promotion of natural resources management. The organization will also strive to be a voice for its constituency, increasing awareness of ranchers' problems and needs. In turn, members can inform their communities on critical issues in democracy and governance. Many of the cooperating groups have serious corruption, mismanagement, poor governance, and political interference issues; the DG program will strengthen their institutional capacity to fulfil their mandates.

JUDGING RESULTS

SUSTAINABILITY

Effective demand for reforms

The sustainability of effective demand for reforms as well as that of the governance institutions USAID/Kenya assists are critical to the strategy.

Linking key political actors in the public and private sectors

The continued support of key political actors is necessary to the sustainability of the change or action being demanded.

These key political actors may be key elites in civil society, such as the clergy and the professional associations. They may be parliamentarians or judges, whose roles in the legislative process and the adjudication and application of the laws makes them both strategic and essential actors in sustainable reforms. They may be military or police officials, whose understanding of and commitment to the reforms is critical in determining whether they will be applied or abrogated. They may include key women who influence the attitudes of other women

in society *vis-à-vis* their desire to assert their legal and voting rights, and their roles in modern society and family. The active participation of such elites in the reform process and the framing of a new social contract is critical to achievement of the Mission's ultimate goal, democratic governance. Thus an important aspect of sustainability is the linkage between well informed key political actors in both private and public sectors.

Strengthening key reform institutions

The linkage alone without improved capacity of these key actors will not ensure sustainability of reforms. For this reason the Mission's 2000-2005 strategy includes investments to address key problems that now constrain the internal capacity of organizations and institutions which are key to the demand-side as well of the supply-side. This also includes strengthening media capacity for investigative reporting and public opinion polling.

Results	Performance Indicators	Performance Target (2001-2005)
Strategic Objective 6: Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance	1. Number of Acts passed that redistribute power, including an analysis of those that have a particular impact on women	1. From 1 to 10
	2. Number of bills, which: a) were accompanied by a written technical analysis, opinion papers, and/or legislative study; and b) were the subject of a public hearing and c) can evidence that CSO input was taken into consideration in the review process	2. TBD
	3. Number of criminal cases involving political, economic, and institutional elites taken to trial. Note: This indicator would only be measured if the judiciary was supported by the Mission	3. TBD
	4. Number of censure and no confidence motions tabled by Parliament against government officials/offices	4. From 3 to 15
Intermediate Result 6.1 CSOs effectively demand reforms and monitor government activities	1. Weighted Effective Demand Scale	1. From average score of 3 to 5
IR6.1.1 Improved technical and advocacy skill	1. Quality of research and seminar output	1. From average score of 3 to 5
	2. Percentage of USAID funded CSOs that have activities with explicit gender focus	2. From 51 to 80%
IR6.1.2 Improved CSO management	1. Percentage of target CSOs consistently submitting semi-annual reports	1. From 25 to 100%
	2. Percentage of target CSOs that are required to have a financial audit, and whose audit states that the CSO complies with generally accepted accounting principles	2. TBD From approximately 30 to 70%
IR6.1.3 Capacity to prevent and resolve conflicts strengthened	1. Number of conflict resolution trainers trained and deployed in target areas, disaggregated by gender, and increasing proportion of female trainers	1. From 102 to 1,000
	1. Number of conflict resolution or conflict prevention coalitions or networks of NGOs formed	2. From 2 to 10

Results	Performance Indicators	Performance Target (2001-2005)
Intermediate Result 6.2 Increased independence of selected government institutions	1. Percentage of corruption cases referred to the AG by the KACA that are brought to trial	1. TBD
	2. Parliamentary Services Commission is operational	2. From no to yes
IR6.2.1 Enabling environment promotes independence	1. Parliamentary Service Commission Bill is enacted	1. From no to yes
	2. Bill de-linking KACA from the executive is enacted	2. From no to yes
IR6.2.2 Parliamentary committee system strengthened	1. Index of committee capacity: a) Committee structure appropriate for issue areas (i.e. corruption committee considers only corruption issues) b) Committees have sufficient resources (i.e. professional staff) at their disposal c) Committees initiate and amend legislation d) Committees exercise their authority	1. TBD
IR6.2.3 Increased awareness of alternative practices and available resources	1. Number of MPs and Parliamentary Services Commission Staff participating in parliamentary exchange programs, disaggregated by gender	1. TBD
IR6.2.4 Improved capacity for analysis, investigation, and decision-making	1. Percentage of committee staff members who received training in research and analysis, disaggregated by gender	1. From 0 to 100%
	2. Percentage of KACA technical staff members who have received training in case investigation and prosecution, disaggregated by gender	2. TBD

Results	Performance Indicators	Performance Target (2001-2005)
Intermediate Result 6.3 More transparent and competitive electoral processes	1. Weighted electoral environment index	1. From 2.75 to 4
IR6.3.1 Improved electoral enabling environment	1. Legislation providing for an independent electoral commission enacted	1. From no to yes
IR6.3.2 Improved electoral administration	1. Percent of eligible voters registered, disaggregated by gender	1. From 68.2 to 80%.
IR6.3.3 Improved monitoring of electoral processes	1. Number of high quality pre-election reports produced; research reports on pre-election environment were received from monitoring organizations and reviewed	1. From 1 to 5
	2. Number of major election violations reported that qualify as potentially challenging to electoral outcome	2. From 1 to 5
IR6.3.4 Increased access to information on voting procedures and electoral issues	1. Percentage of voters knowledgeable about election issues in target locations, disaggregated by gender	1. TBD
	2. Percentage of spoiled ballots	2. TBD
Intermediate Result 6.4 Better informed public and political actors	1. Percentage of respondents knowledgeable about political, legal, and constitutional reforms and issues, disaggregated by gender	1. TBD
IR6.4.1 Linkages between public institutions and civil society strengthened	1. Percentage of target committees receiving comments (written or oral) by CSOs on legislation at least four times per session	1. From 2 to 8
	2. Number of regional and sector interest group workshops or meetings	2. From 6 to 12 per year
IR6.4.2 Diverse sources of objective political, legal, and economic information available	1. Number of law reports published	1. TBD
	2. Number of law suits for slander or libel against media organizations for criticizing government or those with close ties to government	2. TBD
	3. Number of holders of nationwide broadcast licenses	3. 1 to 3

STRATEGIC OBJECTIVE 7

INCREASED RURAL HOUSEHOLD INCOMES

Some 80 percent of the Kenyan population lives in rural areas, and 75 percent are somehow involved in agriculture. Kenya's economy is therefore heavily dependent on its agricultural productivity. Over the past decade, however, agricultural productivity has declined and poverty has increased.

Over the same period, drought has plagued Kenya on an increasingly frequent basis, affecting "traditionally" drought-prone pastoral areas, as well as many other agro-ecological zones (AEZs) of the country. While poverty is found in both urban and rural areas, 75 percent of the poor are in rural areas. USAID/Kenya will, therefore, focus on increasing the incomes of rural households in selected high and medium potential and arid and semi-arid lands, most of which already rely on a combination of on- and off-farm activities.

Agriculture is the dominant factor in the lives of rural Kenyans and is the key to increasing household incomes and achieving broad-based economic development. Agricultural production zones may be categorized by their agro-ecological characteristics as high potential, as medium potential, or as arid and semi-arid lands (ASALs), representing decreasing productivity potential for agricultural production. Agricultural production from all these zones contributes 26 percent of GDP, and agricultural links to other sectors contribute another 27 percent. Agriculture employs 70 percent of Kenya's labor force, generates 60 percent of all foreign exchange, provides 75 percent of raw materials for industry, and provides 45 percent of government revenues. It is estimated that the agricultural sector in Kenya has a growth multiplier of 1.64,

compared to 1.23 overall for non-agricultural sectors. Therefore every \$1 spent in agriculture generates \$1.64 of revenue in other sectors of the Kenyan economy. The agriculture sector should be the growth engine of the Kenyan economy; instead it has seen several years of steady deterioration.

About eleven percent of Kenya's population are pastoralists, most of whom live in arid and semi-arid lands. Recurrent droughts hit this population hard, decimating their herds and rendering them periodically dependent on emergency food assistance. At the same time, expanding populations of sedentary farmers continue to encroach on the margins of traditional communal pasture lands. It is important that Kenyans develop sustainable models for pastoralists that include improved access to water, more opportunities to market livestock, and diversified sources of income.

Micro- and small enterprises (MSEs), are another key characteristic of rural Kenyan households. In fact, some 66 percent of microenterprises are found in rural areas. Many farmers—men and women alike—have off-farm activities to supplement their on-farm income. Off-farm income finances agricultural activities and acts as a safety net in times of decreased production. Many rural MSEs are linked directly to the marketing, processing, production, or supply of agricultural inputs and tools. In addition, MSEs currently contribute 18 percent of Kenya's GDP. This figure is up from 14 percent in 1995, demonstrating the growing importance of MSEs to the economy.

In Kenya, women's contributions to the agricultural and MSE sectors are significant. Women contribute between 75 and 80 percent of all labor in food production and 50 percent of all labor in cash crop production in Kenya. Yet women receive only

about seven percent of agricultural extension information.² Despite this disparity, women adopt technologies at almost the same rate as men. In addition, women are increasingly becoming farm managers and heads of farm households, with estimates that over 40 percent of all smallholder farms in Kenya are managed by women.³ Most marketing of farm produce, except for bulking and export crops, tends to be done by women. Female-managed households are the main targets of most Title II food distribution, irrigation, and drought-mitigation and recovery schemes. Forty-seven percent of MSEs are owned by women, and recent data suggest that this number is increasing. Most agricultural produce-related and rural MSEs are headed by women. Given these statistics, USAID/Kenya recognizes the importance of ensuring that gender dimensions are factored into design, implementation, and monitoring modalities so that women will be able to benefit equally from USAID's development interventions.

Accomplishments to date

USAID has assisted Kenya in developing its agriculture sector since 1963. In the 1960s, USAID programs focused on institutional and human resource development to support the newly independent government's Kenyanization policy. USAID sponsored several hundred Kenyans (including agriculturalists) to the United States for degree training and funded construction of agriculture and veterinary science facilities at Nairobi and Egerton Universities. During the 1970s and 1980s, the focus shifted to integrated rural development, a strategy that involved development of rural access roads, strengthening the capacity of agricultural research institutions to develop improved seed varieties, and promotion of rural micro-, small, and medium enterprises. The 1990s saw USAID programs move towards

capacity-building for policy reforms and agricultural market liberalization. This resulted in dismantling of foreign exchange controls, decontrol of prices, and the removal of restrictions on movement of agricultural produce from one part of the country to another.

Recent accomplishments in promoting agricultural productivity and markets

Research programs by the Tegemeo Institute of Agricultural Policy and Development and the Kenya Agricultural Research Institute (KARI), two long-term USAID partners, catalyzed the process of commercialization and contributed significantly to agricultural liberalization in the early 1990s, particularly of the maize market. KARI has made significant strides in the development of high-yield seed varieties, especially for maize and horticulture. Due to liberalization in the 1990s, agricultural markets (in commodities tracked by the Mission) became increasingly more competitive over the period of the previous strategy. As the GOK relinquished many of its roles in agricultural marketing, private sector participation has increased in many sub-sectors. The private sector has increased its role in the dairy sector, where significant improvement in productivity and marketing systems has been achieved.

Even more impressive is the increase in demand for agricultural inputs in areas of western Kenya that had never used fertilizers and improved varieties. Through the efforts of a local NGO, input demand has increased to the extent that a major international fertilizer firm is now mixing and repackaging the fertilizer formulas demanded by small scale cereal farmers.

The GOK's PRSP committee is using leading researchers from Tegemeo to develop its strategy, and the Ministry of Agriculture is calling upon Tegemeo's expertise to develop the Kenyan Rural Development Strategy, which will feed into the PRSP.

Recent accomplishments in promoting microenterprise development

USAID support to the micro- and small enterprise (MSE) sector has had major impacts on the sector's development. According to a 1999 study, MSE employ-

² (J. Curry, M. Kooijman, H. Recke.) *Institutionalising Gender in Agricultural Research: Experiences from Kenya*. Kenya Agricultural Research Institute, 1999. Publication Section KARI Headquarters, PO Box 57811, Nairobi, Kenya. IMN: 9966-879-23-4

³ (L.N. Kimenya) *Assessment of Technology Dissemination and Utilisation by Women and Men Farmers: A Case Study of Embu and Mbeere Districts*. KARI Proceedings, 1999.

ment grew by 12.3 percent in 1998 and by another 23 percent—employing 2.4 million Kenyans—in 1999. Almost half of MSE employees are women. On the microfinance side, K-REP successfully made the transition from an NGO microfinance institution (MFI) to a registered MFI bank in 1999. By the end of December 1999, K-REP Bank had 13,200 active loan clients, accumulated savings of \$1.2 million, and loans of \$5.6 million.

K-REP has developed a successful model for village banking called the Financial Services Association (FSA). As of 1999, 34 FSAs were up and running in Kenya, with almost 13,000 members, savings of \$110,000 and loans valued at \$130,000.

Recent accomplishments in promoting non-traditional exports

Non-traditional exports, primarily horticultural products, are now the major foreign exchange earner for Kenya after coffee and tea. After setbacks in 1997 due to El Niño floods, the sector grew by 12 percent in 1998 and 28 percent in 1999. With assistance from USAID, the Fresh Produce Exporters Association of Kenya (FPEAK) developed a code of practice to help small farmers meet

the increasingly stringent phytosanitary and sanitary standards set by the European Union.

Recent Title II accomplishments

Title II Cooperating Sponsor (CS) programs in arid and semi-arid areas strive to promote the transition of communities from dependence on relief to development status. Over the years, close to 300,000 people in Turkana, Marsabit, Kitui, Tana River, and parts of Coast and Nyanza Provinces have been assisted through the Title II program. Communities in some ASALs have begun to make this transition through improved agronomic practices and adoption of technologies. For example, in the Turkana District (probably the most drought-prone area of Kenya), World Vision has helped a community of 7,000 inhabitants to increase its household food production through a gravity-fed micro-irrigation system that enabled households to grow their own maize, sorghum, millet, vegetables, and fruits. In 1999-2000, during one of Kenya's worst droughts, the project area was the only one in Turkana not relying on or receiving any relief food.

PROBLEM ANALYSIS

Decreasing productivity in Kenya's agricultural sector is one of the main causes of increasing rural poverty and economic decline. After some increases in land productivity due to adoption of improved technologies in the 1980s, productivity has stagnated. Labor productivity has also declined as increases in the rural labor force outstrip the value of agricultural production per hectare.

Climate has a major impact on Kenya's smallholder agriculture, which is almost entirely rain-fed. Since the mid-1990s, successive droughts and the major 1997 El Niño floods have had severe and negative impacts on production. The frequency of drought may be increasing, and affected households have little or no recovery time between droughts. Drought is affecting not only the pastoralists of the arid lands but also agro-pastoralists and agriculturalists in many parts of the country. (Farmers do not use fertilizer when rains are uncertain, and yields, therefore, further decrease.) In the most drought-afflicted areas of the north, traditional coping mechanisms have been eroded, and food insecurity has increased. Populations in drought-prone areas, often the ASALs, need assistance to enhance their coping mechanisms to be better prepared for and to recover more quickly from drought.

In the 1990s, Kenya made significant progress in liberalizing the agricultural sector. Foreign exchange was liberalized, trade in inputs and marketing of crops was deregulated, and several government-run marketing boards were dismantled. But these reforms were often poorly sequenced (input supplies were deregulated before price-fixing of outputs was eliminated), leaving producers with decreased incentives to continue with many improved technologies. Real incomes for farmers have stagnated over the last generation and declined over the last five years as liberalization has resulted in in-

creased fertilizer prices and smaller increases in output prices. Due to a bloated civil service, government budgets are insufficient to cover the costs of basic services, like transportation for agricultural extension agents' visits to farmers to promote new technologies and practices. Due to increasing population pressure, agriculture is expanding into increasingly marginal areas. In all agro-ecological zones, there are trends of decreasing yields, degradation of the natural resource base, and growing conflict among users of increasingly scarce land and water. While some technologies are available for agricultural production in ASAL areas, limited access to infrastructure and services and poor marketing efficiencies inhibit information flows and adoption of those technologies. To increase incomes, agricultural productivity of both male and female farmers must be improved, and incomes from both on- and off-farm sources must rise.

Some farmers have shifted out of certain crops (coffee and pyrethrum) as price incentives have changed due to market demand or government regulation. Many farmers now depend on off-farm earnings for more than half of their household income. Some farmers in agro-pastoral and pastoral areas have experienced severe loss of livestock in previous droughts. Others in ASAL areas used to produce cash crops to meet income needs, but GOK policy changes have made the cultivation of these crops unprofitable. (For example, the GOK has allowed certain individuals to import used clothing duty-free, resulting in farmers shifting out of cotton.)

Off-farm income is increasingly important as a primary source of income, even in areas that are primarily agricultural. Women generate much of this off-farm income. Their cash earnings are particularly vital for their families' survival when crops are poor. After the collapse of farmer credit institutions, non-farm income has also become essential to

finance purchases of agricultural inputs. It is important to note that while much cash income comes from off-farm employment, most of these jobs have strong and direct links to agriculture.

HIV/AIDS' impact on the sector

The HIV/AIDS pandemic threatens Kenya's agriculture and business sectors. It is estimated that 90 percent of HIV-positive adults in Kenya are between 15 and 49 years of age, the same age group that constitutes the majority of the labor force. HIV/AIDS' adverse effects on agriculture will no doubt include loss of labor supply, due to deaths and absenteeism, and a decline in productivity due to ill health, treatment costs, and funeral expenses. Household income is estimated to fall between 58 and 78 percent with the death of one parent; the death of a second results in destitution for the surviving children. A 1997 study in Eastern Province found that morbidity and mortality in households led to a decrease in acreage under cultivation, loss of income, increased dependency ratios, and a general increase in food insecurity.

The impact of HIV/AIDS on microfinance institutions and the communities they serve has become a major development issue. MFIs have discovered that, because of the disease, some of their operating principles and initial assumptions no longer hold. MFI client groups include both affected and infected individuals, who face marked shifts in their personal and financial conditions. Although no data exist to demonstrate the extent of the impact, individual MFIs report the following changes:

- HIV/AIDS-affected clients may not continue to borrow; and if they do continue, they may not continue to borrow increasing amounts.
- As the disease progresses, HIV/AIDS-affected clients are likely to need a wider range of financial services, especially safe and flexible savings mechanisms.
- Affected clients' willingness to continue in programs may depend on their ability to stop borrowing for a period, or on having flexible access to accumulated savings.
- Because MFI staff are also affected by HIV/AIDS, absenteeism increases, staff

attrition rises, MFI operation costs increase, and the transactions costs of MFI products increase.

- Portfolio quality may change due to increased delinquency, particularly if affected households have been encouraged to borrow beyond their ability to repay.
- As clients or the family members they care for succumb to AIDS, the cost of maintaining or expanding the MFI's client base rises.

Policy environment

The broad policy environment in Kenya is evolving. Well intended but poorly sequenced liberalization occurring simultaneously with multiparty politics has resulted in what some consider a crossbred economy, neither totally controlled nor totally market-oriented. This confusion has negatively affected major agricultural sectors—coffee, tea, sugar, maize, cotton, beef, and inputs. At the same time, uncertainty has served as an impetus for farmers in certain sectors, who have taken full advantage of the situation. There is impressive growth in milk production, collection, and processing, artificial insemination services, and horticultural products for export markets.

MSEs face somewhat less confusion. Necessary reforms have been clearly identified and agreed upon, and the Interim Poverty Reduction Strategy Paper (I-PRSP) makes a strong commitment to enhancing conditions for this employment-generating sector.

Producer organizations face uncertainties related to the sectors in which they are involved. Hence, coffee and tea cooperatives are undergoing one of the most volatile times in their history. Dairy is less disrupted, although there are politicized disputes about selling off the major government-affiliated processor. Many producers have opted to organize themselves outside of the cooperative structure and have formed associations and self-help groups to perform many of the functions cooperatives used to provide.

Who are the poor, where are they, and what do they do?

It is estimated that approximately half of Kenya's population lives under the poverty line. (The overall poverty line in Kenya is

defined as the amount of 1997 income necessary to provide 2250 calories of food daily, the minimum requirement, plus non-food necessities. This is estimated to be Ksh/1,239 per person per month in rural areas, and Ksh/2,648 in urban areas.) While urban poverty is growing, the majority of poor Kenyans reside in rural areas and use a combination of on- and off-farm activities to make ends meet. From welfare monitoring studies in Kenya, it is clear that poverty is not selective and is found across all AEZs. Since the majority of Kenya's poor are rural and involved in agriculture, and because the potential for increasing the amount of land under cultivation is so limited, simultaneously increasing the productivity of on- and off-farm activities is the key to increasing incomes.

According to the GOK Economic Survey of 2000, 50 percent of the population in the high-potential zones, 56 percent in medium-potential zones, and 48 percent in ASAL areas live in absolute poverty. In all areas except the ASALs, poverty rates increased by 4 to 20 percent between 1994 and 1997. (Note: There are no data available for the northern arid areas of the ASALs.)

A breakdown of characteristics of populations by AEZ provides further insights into the numbers and the relative levels of poverty.

- In high-potential AEZs, there are approximately 1.3 million households, 58 percent of which are smallholders and 1.4 percent pastoralists.
- For medium-potential AEZs, there are one million households, 56 percent of which are smallholders.
- Low-potential AEZs have almost 450,000 households, of which 38 percent are smallholders and 17 percent pastoralists.

In all AEZs, poor households have more diverse sources of income derived from crops (including horticultural and other cash crops) than do better-off households. The majority of farm labor is supplied by women, who are equal managers in male-headed farming households and owners of many MSEs. Poorer households have limited resources that have often been eroded by drought, poverty, and conflict. Better-off households are more likely to be able to undertake

agricultural activities for the market, while poorer households are likely to diversify their income sources, start microenterprises, sell labor, or engage in petty trade. Better-off households are likely to be headed by males, while poorer ones are more often headed by females.

Recent analysis of data on equity and productivity by Kenya's Tegemeo Institute shows that revenues from agriculture are more equitably distributed in high-potential areas than they are in the arid north and some marginal agricultural areas. The most equitable commercial cropping activities are also found in the high-potential areas. This is probably because marginal areas have fewer commercial activities than high potential areas. Other analyses find that poorer households are more dependent on cereal sales for revenue generation than are better-off households. Better-off households are more dependent on cash crops such as coffee, tea, and sugar cane, and earn more from horticultural products, probably because of their superior access to water resources. Contribution of off-farm income ranges from 25 percent (in high-potential areas) to 82 percent (in the coastal lowlands). In all areas with data (there are no data for arid north) livestock was the third-ranked income-earning activity.

The Micro- and Small Enterprise Survey of 1999 shows that 31 percent of MSEs and 25 percent of all workers in MSEs are strongly linked to agriculture. This demonstrates the important linkages of agricultural productivity and marketing to the MSE and off-farm sector. The survey also shows that 64 percent of MSEs and 62 percent of MSE workers are in the rural areas, further demonstrating how the economy is underpinned by the performance of agriculture. Agriculture is the key to helping the rural poor, be they the less poor or the more poor.

Research from the Kenya Agriculture Research Institute (KARI) found considerable gender equity in maize, horticulture, and dairy production. Differences between male and female maize farmers was insignificant in maize yields, use of improved seeds, use of fertilizer, and use of local mills for processing. However, fewer women received extension services.

Constraints to and opportunities for increasing agricultural productivity

Kenyan agriculture is primarily smallholder and almost exclusively rain-fed. Patterns of cropping and livestock rearing change constantly in response to price changes, availability of technology, markets, quality of rainy seasons, and other factors. Farmers, both male and female, who previously used improved technologies no longer receive subsidized inputs, government-run agricultural credit schemes, and government-run extension services. Most government services have been severely curtailed in the past decade due to the wage bill for a bloated civil service that leaves few resources to finance services to clients. In some cases, the private sector and NGOs have been able to fill the gaps—but not all gaps and not in all places. Women smallholders, who had never received an equitable proportion of such services, are now almost totally neglected.

To add to farmers' problems, costs of production have soared, due to removal of subsidies, deterioration of infrastructure, high taxation, and inefficient markets. In general, both men and women have limited access to credit, tools, and equipment; women often have reduced ability to pay for inputs.

In the ASAL areas where livestock plays the dominant role in household incomes, government-subsidized marketing structures have collapsed. With increased insecurity in many of ASAL areas, it has become increasingly difficult for producers to get their livestock to the profitable consumer market of Nairobi. Drugs for livestock have soared in price, artificial insemination services provided by the government have all but collapsed, and the national herd is still recovering from the shocks of multiple droughts in the 1990s.

Use of improved technology appears to have decreased in the past decade. Many farmers have significantly decreased their use of fertilizer, claiming they no longer receive adequate prices for their produce to recover their costs. In 1990, one bag of fertilizer cost the same as one bag of maize. By the mid-1990s, this ratio had become one bag of fertilizer "costing" three bags of maize, thus making fertilizer use unprofitable for many farmers. However, an NGO-run program in

one of the poorer agricultural areas of western Kenya has demonstrated that farmers will use fertilizer if they can obtain small quantities that they can afford to purchase without credit. In this area, fertilizer use had increased from zero to 150 metric tons in less than four years. Private sector fertilizer companies are now interested and are willing to re-bag (in one-to-three rather than 50-kilogram bags) and to provide the specialized mixes required to meet the soil fertility needs of the area.

In the remote marginal areas, the use of technology is also hampered by isolation from infrastructure, resulting in poor access to markets and extension services; some farmers are not even aware of those technological options that are available. High yield seed varieties are no longer easily accessible, due to the inadequacy of seed-multiplication programs, the monopolization of seed sales by a parastatal, and the unfavorable policy environment for new variety development and for private sector participation. USAID is currently supporting a U.S. PVO's seed certification work with GOK agencies to multiply improved varieties that are in demand but unavailable through the only seed distributor. The next step is to have that PVO train farmers in seed multiplication so supply to smallholders continues.

Until recently, technologies developed by the agriculture research system have not been demand-driven or oriented to the evolving market economy. While research may not have been gender sensitive, recent evaluations of technology adoption has shown that an almost equal percentage of female and male farmers have adopted maize technologies. However, more attention to the differing needs of women versus male farmers would be beneficial. Where productivity increases have occurred, they have primarily been in the high-value cash crops—horticultural products and dairy. This is due to the profitability of and growing demand for those products, and to the involvement of the private sector, rather than the government, in providing support services. Productivity increases have also occurred in those drought-prone areas where NGOs have introduced dryland production technologies to improve food security.

A particular constraint affecting food security and overall competitiveness of Kenya's economy is the high cost of maize production in the country. High-cost maize strains the ability of the majority of Kenyans to purchase the staple crop. Only 28 percent of Kenyan farmers produce enough maize to sell, and 67 percent buy more maize than they sell. This year, for example, Kenyan maize prices were higher than prices for maize imported from the United States. The result is increasing food insecurity, even for farm families; high maize prices jeopardize the food security of net buyers, both urban and rural. High-priced maize also affects the wage rate, resulting in higher labor costs in Kenya. Improving productivity and increasing farmers' access to improved seed will help decrease costs of production. At the same time, USAID has supported Tegemeo to conduct research on major agricultural sub-sectors, including maize. Tegemeo has identified problems and suggested solutions; their results have been disseminated among stakeholders.

A critical constraint to agriculture in Kenya is land fragmentation in many areas and lack of a cohesive national land-use policy to deal with this and other land tenure issues. Due to lack of clear policy and enforcement, the natural resource base is being rapidly degraded and land is being divided into parcels that are too small for efficient production. Both the I-PRSP and the draft Kenya Rural Development Strategy recognize the need for the GOK to address land use, land fragmentation, and water use. It is proposing to set up frameworks for the sustainable management of these natural resources that are based at the community level. The I-PRSP notes that a Presidential Commission is underway to examine the land law system. The commission's task will be to make recommendations for equitable and efficient land ownership and administration.

The broad policy environment is at best in a state of constant flux. The government has been pursuing market-oriented policies for the past decade, but political meddling and poor phasing have slowed implementation. While market-oriented policies have been put in place, institutional and legal frameworks have been slower to adjust to their new roles in a market economy. The sectors in which

government continues to play a strong role have largely failed to emerge as competitive growth centers in Kenya's economy. Examples are coffee, tea, sugar, and pyrethrum. Producers in other sectors have successfully taken advantage of the confusion in the policy arena and are growing despite the downturn in the overall economy and in agriculture. These sectors include horticulture and dairy.

In its I-PRSP, the GOK commits itself to increasing the availability of improved seeds and other technologies for smallholder producers, improving the effectiveness of extension services, and remedying the inconsistent policy environment surrounding these problems.

Constraints to and opportunities for marketing and trade

Kenya has made important progress on market liberalization, although much more remains to be done before the country has a full-fledged market economy. While the major commodities no longer have marketing boards and little, if any, government control, the remaining marketing boards (coffee, tea, and pyrethrum) continue to inhibit producers of these commodities from maximizing profits due to their non-transparent price-setting and/or marketing procedures.

Market information is irregular and not widely accessible to smallholder producers, particularly those in the marginal and isolated regions of Kenya. It is assumed that smallholder women may be even more disadvantaged in terms of their access to information. According to a Tegemeo survey, regions have unequal access to development services and infrastructure. The high-potential areas (the Central and Western highlands) have better access to such services than the lower potential areas. Laikipia and the arid north, marginal rainshadow areas, receive the worst service. Kenya's roads and communications infrastructure have deteriorated over the past decade, further inhibiting efficient marketing of products. Many producers are unable to compete effectively for trade opportunities within Kenya, the East Africa region, or further afield due to high production costs, due in turn to market

inefficiencies, high transportation costs, and lack of information.

The GOK has expressed its commitment to reform efforts in the I-PRSP. The GOK has already begun to address the status of the remaining marketing boards and is, in consultation with farmers, proposing to restructure these boards as regulatory bodies only, leaving marketing mechanisms to the private sector (including member-owned and -run cooperatives). The GOK is working with several donors to coordinate resources for rehabilitation of roads in rural areas. It is also addressing the serious issues of governance in the road construction sector and has set up a Roads Board to ensure more transparent management. A fledgling private sector firm, Kenya Agricultural Commodities Exchange, is now active, setting up basic information exchanges in small kiosks in three areas of Kenya. Buyers and sellers can visit these Market Information Centers (MICs), and pay a small fee to post their produce or obtain other information. The longer-term goal is to link these MICs with similar systems in neighboring Uganda, Ethiopia, and Tanzania to expand information and market flows. This initiative could be an option for non-government market information.

Kenya's comparative advantage for export commodities is in higher-value crops—coffee, tea, horticultural products, and (especially to African countries) dairy and value-added products. Kenya presently has no comparative advantage for export of food crops and is, in fact, a net importer of food commodities. Kenya represents a major potential market for Ethiopian and Somali livestock if some barriers and health concerns can be overcome.

Kenya is facing some of its toughest times since independence regarding the country's international trade status, because many trade agreements will soon be renegotiated. While the East African Community probably constitutes Kenya's largest trading partner, it is the weakest of the trade groups to which Kenya belongs. Under the World Trade Organization, many developing countries expected benefits in the Agreement on Agriculture, but increased access to developed country markets has not materialized. Instead, Kenya faces a series of escalating tariff barriers, sanitary and phytosanitary

measures, high subsidies from Europe, and "dumping" from developed countries. The EU is the most important international market for Kenya after African countries, especially for coffee, tea, and horticultural products. Proposed EU legislation for minimum residue levels poses a serious challenge to Kenya's continued export of horticultural products. Kenya has also been recently re-categorized as a Developing Country (DC) rather than a Lesser Developed Country (LDC) by the EU. This means Kenya will lose preferential access to EU markets in 2007. Kenya will then have to negotiate a bilateral trade agreement with the EU, while Tanzania and Uganda continue to enjoy preferential trade status as LDCs. As a DC, Kenya will face increased tariffs, particularly on value-added products such as processed coffee.

The African Growth and Opportunity Act has not yet been thoroughly analyzed to determine if there will be off-setting opportunities for Kenyan products. There may be some incentives on textiles but no opportunities for preferential treatment for coffee and tea exports to the U.S.

Constraints to and opportunities for micro- and small enterprises

MSEs play an important role in economic growth in Kenya, but continued growth is hampered by MSEs' limited access to credit and other financial services. The GOK's 1999 National MSE Baseline Survey found that only ten percent of MSEs have access to credit from any source. Formal banking institutions rarely provide credit to MSEs because they fail to meet stringent lending and collateral requirements. Microfinance institutions (MFIs) do not have adequate capacity and resources to meet vast MSE demand for credit, and the group-lending mechanism often inhibits lending by MFIs to MSEs on an individual basis. MSEs also face problems in obtaining business licenses, are often harassed by local authorities, lack adequate business and work sites, and lack access to basic utilities and infrastructure. There has been little implementation of recommended policies favorable to MSE development. In the more remote areas, often the ASALs, there are additional constraints

caused by poor access to infrastructure and services. For specific enterprises such as livestock marketing, there are extremely high risks due to banditry and insecurity along routes to the Nairobi market.

Almost half of MSEs are women-owned, according to latest statistics. However, only ten percent of MSEs have access to credit. Both men and women face difficulties accessing formal financial institutions. The Mission's microfinance component addresses many of these constraints by supporting the development of MFIs that provide small, no-collateral loans. Women in MSEs, like their male colleagues, face problems obtaining business licenses, are harassed by local authorities, and cannot access utilities because of the informal nature of their operations.

The GOK recognizes that strengthening the ability of MSEs and MFIs will be critical to reducing poverty for both urban and rural Kenyans. The MSE sector is growing very rapidly and has become a sustainable safety net for Kenyans during these economically challenging times. The Central Bank of Kenya (CBK) is collaborating with one of the leading MFIs, the USAID-supported K-REP Bank, to draft new legislation for MFI operations in Kenya and is using successful legislation from other countries to inform the process. The I-PRSP also commits the GOK to implement recommended policy changes that have been developed through studies and workshops involving major stakeholders.

Constraints to and opportunities for smallholder organizations

Cooperatives represent major contributors to Kenya's economy. Agricultural cooperatives account for 72 percent of all cooperatives' annual business. Their combined production accounts for 75 percent of Kenya's agricultural production and 50 percent of the marketed production, most of which comes from smallholder farmers.

Many developing countries have attempted to develop smallholder agriculture by organizing farmers into groups and cooperatives to more easily provide them with goods and services. In practice, however, governments have often used farmer organizations

for political purposes or to control production, marketing, and pricing.

The Kenyan government has used cooperatives as a convenient mechanism to ensure and protect production and marketing of critical commodities, including coffee, tea, maize, and milk. The government has subsidized services to cooperatives, controlled credit interest rates, and provided extension services through the cooperatives. Cooperatives were explicitly tied to the parastatal marketing boards, and, according to the Cooperative Law of 1966, had exclusive rights for specific marketing activities in which private traders were prohibited from participating.

In the past ten years, many government programs and organizations supporting the agricultural sector—including farm credit, cooperatives, and extension services—have deteriorated. Even before liberalization in the early 1990s, cooperatives were experiencing difficulties, which were further exacerbated when liberalization took place. The special status of cooperatives deteriorated as many of the marketing boards and parastatals to which they were directly linked and depended were dismantled. After liberalization, cooperatives were not prepared or trained to make adjustments in their operations and were unable to efficiently compete with their new private sector competitors. The quality of their management was not up to private sector standards, and the previously lucrative business of selling inputs to farmers faced escalating prices due to deregulation of the market. The new Cooperative Act was not issued until 1997. It removed government's role in management of cooperatives and provided cooperatives with new structures and legislation more appropriate for their role in a market economy.

Liberalization, coupled with a flourishing plural democracy, quickly politicized the remains of the cooperative movement. The government's domineering role in cooperative development and the political interference of individuals resulted in ineffective organizations that neither protect nor act in the interests of the farmers they ostensibly represent. A combination of lack of funding, increased politicization, poor governance, and profiteering by leadership has led to farmer organizations that cater to the per-

sonal and political interests of their leadership or elite, at the expense (often literal) of the farmer members they are supposed to be serving.

Farmer organizations in some sub-sectors, (such as coffee, tea, and dairy) are still quite active, but even in these sectors they are riddled with problems of poor governance, political interference, poor management, and lack of clearly defined roles in Kenya's market economy. Many such organizations are burdened by debt, and many cannot pay farmers for their produce, further deteriorating farmers' trust in their institutions. In ASAL areas, smallholder farmer organizations are less well developed. Where they do exist, NGOs often provide the resources to help the farmers organize themselves.

Given the predominance of smallholder agriculture in Kenya, it is important to ensure that producers, both men and women, have the choice to organize themselves into groups that will provide them with the services they need to be profitable. To have a greater voice in the market and to hold their organizations accountable for their actions, smallholder farmers must be skilled and empowered.

In a recent USAID workshop on establishing best practices and lessons learned for producer organizations, it was found that, in

many countries, the special circumstances facing women required the formation and strengthening of women-only organizations. Women in many African countries tend to have more difficulty accessing services and markets, and, even when they are members of organizations that provide these services, women are often marginalized due to their lower levels of literacy and business and managerial skills. While there is scant Kenya-specific information, one can assume that the general pattern applies to Kenya.

There is a great need for smallholder farmers to have organizations that perform activities that benefit from economies of scale. Cooperatives may still be a viable mechanism to achieve these objectives, given the new legislation eliminating government management of cooperatives. There are also new types of smallholder organizations (associations and self-help groups) that do not fall under the Cooperatives Law. These groups achieve objectives similar to those of cooperatives. With improved management, sensitization, and empowerment of members, smallholder organizations can fill service gaps for Kenya's producers at a time when the GOK has stated its serious commitment to reform and assist smallholder producers.

CONSULTATION & COLLABORATION

CONSULTATIVE PROCESS

Planning process

USAID/Kenya developed the new SO7 through a process that incorporated the broad analytical information base from the Tege-meo Institute for Agricultural Policy Research, Michigan State University's work on food security (particularly on maize in Kenya), the participation in and a review of the evolving Kenyan Interim Poverty Reduction Strategy Paper, and the Kenya Agricultural Research Institute's thorough studies on various sub-sectors and their impacts. The overall policy direction and guidance comes from the USAID Agency Strategic Plan, the GHAI strategic plan and principles, the Kenya Mission Performance Plan (MPP), the Seeds of Hope legislation, Food for Peace priorities, and objectives for the Title II Food for Development program.

Consultative process

USAID/Kenya adopted a consultative, open, and transparent approach in developing the SO7 strategy. In late 1999, the Mission engaged a rich cross-section of local and external experts, including stakeholders, customers, and partners, in substantive dialogue through many meetings and brainstorming sessions.

The first stage involved consultations with USAID Mission management, other Mission SO teams, and technical staff in USAID's Africa, BHR, and Global Bureaus. It was during this initial stage that the basic parameters of the new program were set, key areas critical to USAID's investment during the next five years were identified, and the program focus was narrowed to concentrate resources on a manageable set of the most important results. The process produced the concept paper that was submitted to USAID/W in December 1999. This stage benefited tremendously from input by

AFR/SD staff in defining the strategic framework and logic, provided analytical material for making choices among sub-sectors, and linked USAID/Kenya with Michigan State's income proxy work and the International Food Policy Research Institute (IFPRI) modeling methodology for selecting sub-sectors most likely to have an impact on rural incomes. Michigan State University also reviewed the results framework and provided input on food security, particularly in relation to policy directions. MSU was instrumental in guiding the process of problem identification and hypothesis development during the initial stages.

The second stage brought together in Kenya a diverse group of experts and resource persons comprised of donors, NGOs, private sector consultants and businessmen, large and smallholder farmers, government of Kenya officials, Michigan State University agricultural economists, GOK permanent secretaries, parliamentarians and heads of parastatals. Due to the large number of individuals, the Mission held three separate sessions, which served as reality checks for the strategy development logic and framework, identified missing pieces, reviewed the proposed results, and assessed whether they could be tracked to measure impacts.

Two more sessions were held in Kenya with all USAID partners, including NGOs and the private sector. In addition to the issues discussed in sessions with the experts, the partners reviewed working relations between USAID and its partners, looked into how the Title II Food for Development program could best be incorporated, and how SO7 could link with natural resource management. The partners incorporated the thinking of the ultimate customers in microenterprise and smallholder agriculture sectors into the strategy.

These sessions were extremely useful and informative to the strategy development process. Apart from the consensus-building that emerged from the meetings, a strong sense of ownership in the strategy was developed among the stakeholders, customers, and partners. Consensus was reached on several key issues:

- That increasing rural incomes is an appropriate objective for USAID to pursue in the next five years, given the level of poverty in Kenya.
- That agriculture, being the largest sector of the economy and the basis for micro- and small enterprises, is critical for economic growth in Kenya.
- That agricultural productivity is lagging for more than technical reasons; poor governance has been a critical constraint in the sector.

Given USAID's goal of broad-based economic growth and the need to make the greatest possible impact with limited resources, agriculture is the right choice for investment. Agriculture also provides a link between rural and urban incomes. The sessions underscored USAID's comparative advantage in agriculture, based on its past investments in human resource development and capacity-building for agricultural research and policy analysis. Over 60 experts and resource persons from 48 organizations, including USAID partners, participated in the first two stages of the consultative process.

Simultaneously, the government of Kenya sponsored a week-long conference on the development of its Interim Poverty Reduction Strategy Paper. This conference, attended by key Mission staff, enhanced further interactions and broader exchange of ideas pertinent to the SO7 strategy. The conference gave Mission staff the opportunity to discuss issues related to development with a much wider Kenyan audience, including senior ministers of the Kenya government, heads of the civil service, secretaries to the cabinet, permanent secretaries, parastatal heads, development and civil society NGOs, women's groups, and donors.

Subsequent to these sessions, the SO7 team received additional assistance from the

Africa, Global, and Humanitarian Response (BHR) bureaus. They continued to help SO7 refine the strategy and made substantial contributions, particularly in the area of sub-sector selection criteria, the use of food for HIV/AIDS-affected families, and the integration of the ASAL areas into the strategy. The G/Environment office provided the Mission with technical assistance to develop its Environmental Threats and Opportunities Analysis for the whole ISP and critical input on how SO7 activities could be linked to sustainable natural resource management. AFR/SD provided additional assistance on the use of the IFPRI model as one criteria for sub-sector selection. MSU and Tegemeo collaborated to initiate work on income proxies that will become the primary indicator for SO7-level impact monitoring and reporting, including the Title II program areas.

The participatory approach applied in the strategic planning process ensured that all important stakeholders were involved and consulted. Consultations will continue after the approval of this SO7 strategy to leverage support from and ensuring coordination with the other donors, the government of Kenya, and the implementing partners.

Other USG agency activities in economic growth

USAID has worked in agriculture and microenterprise in Kenya for years. There are, however, many other USG agencies and initiatives that will complement SO7's objective to increase rural household incomes.

- Policy dialogue with the GOK by the Ambassador, Economic Counselor, and Agriculture Attaché on improving the policies, laws, and regulations affecting agricultural productivity and food security.
- Promotion of American opportunities for trade and investment in Kenyan agriculture by the Ambassador, the Commercial Counselor, and the Agricultural Attaché.
- Cochrane Fellowships from the U.S. Foreign Agriculture Service (FAS), which support agriculture and microenterprise.
- Support by USAID/W's Global Bureau for research in livestock, nutrition, and fisheries, and for private sector dairy initiatives.

- Identification of mechanisms to enhance food security within the GHAI region by REDSO/Food Security. (Of special interest is the identification of potential interventions for pastoral areas bordering Uganda, Ethiopia, Kenya, and Sudan. REDSO has taken responsibility for setting up working groups, identifying successes and possible models.)
- BHR/FFP/Washington support in encouraging Title II partners to think more creatively and develop ideas for addressing the special needs of pastoralists.
- USAID/Ethiopia's proposal for the Southern Tier of Ethiopia to decrease vulnerability by encouraging marketing outlets for pastoral cattle. This will necessarily have an impact on Kenya, which is a major market for cattle in the region. REDSO has also committed to undertaking a study to examine constraints and opportunities to livestock movement and trade in the region.
- OFDA/ARO complementary (non-food) emergency support to the Mission's food response in disaster-stricken areas of Kenya.
- Food through the BHR/FFP LIFE Initiative to benefit nutritionally-stressed HIV/AIDS orphans. (This will be implemented through Title II partners, who will be encouraged to collaborate with HIV/AIDS partners during implementation.)
- The USDA Global Food for Education Initiative to improve school retention and nutrition of primary school children.
- Support from the FAS with additional Food for Progress resources for emergency assistance.
- The International Visitor Program, which sends selected individuals to the U.S. for specialized exposure tours.
- Support for regional harmonization of agricultural tariffs and trade restrictions through REDSO's partner, COMESA.
- Support by USAID/W, OFDA/ARO, and REDSO for the Famine Early Warning Systems Network (FEWS-Net) to monitor and respond to drought and disasters.
- REDSO/FFP management of regional pipelines of emergency food aid.

CUSTOMERS

USAID/Kenya's SO7 customers are three million smallholder farmer households, which constitute 80 percent of Kenyan households and account for 75 percent of total agricultural production. They include households in ASAL areas that are supported through Title II programs and OFDA interventions to enhance transition from dependence on relief to development. SO7 customers will include households that

establish or expand their micro- and small businesses to supplement their family incomes as a result of increased access to business support services.

During design and implementation of SO activities, USAID/Kenya will be gender-sensitive, because a large portion of SO7 customers are women, who manage over 40 percent of smallholder farms and own 47 percent of MSEs.

OTHER DEVELOPMENT PARTNERS

Agricultural productivity

The World Bank, the African Development Bank, Germany (GTZ), the European Commission, the Rockefeller Foundation, and the Japanese government support development of non-traditional agricultural exports (NTAE). The Netherlands government supports livestock development. The World Bank and the IMF have also been instrumental in pushing for an enabling policy environment for exports and market liberalization. The World Bank works

closely with USAID in ensuring complementary support to the Kenya Agricultural Research Institute. DFID, the FAO, and the EU are all contributing to the Ministry of Agriculture's process of developing a Rural Development Strategy. The World Bank and the IMF are assisting the GOK, through the I-PRSP, with the macroeconomic framework necessary for broad economic growth, and with many policy reforms, particularly in privatizing and dismantling of remaining marketing boards.

Agricultural trade

The Tegemeo Institute for Agricultural Policy, the Kenya Institute for Public Policy Research and Analysis (KIPPRA), and the GOK Ministry of Agriculture will be key partners on policy issues regarding markets and trade. International and Kenyan NGOs and private sector firms are possible implementing partners to facilitate market and trade opportunities. International organizations such as the World Bank, DFID, GTZ, IFAD, and FAO coordinate with USAID, particularly on agricultural policy reform, including marketing and redefining the role of government in Kenya's market economy. Regional trade organizations (COMESA and the EAC) will be key partners on regional trade regimes and policy harmonization. REDSO/ESA will also be important on regional trade issues.

MSE sector

USAID is among the leading development donors in the micro- and small enterprise sector in Kenya. A small enterprise donor group has been in existence for several years to facilitate coordination of efforts supported by various players. Other active donors that support microfinance services (credit and savings) include DFID, the EU, the Dutch, the Ford Foundation, DANIDA, and the UNDP. Good working relations among MSE donors have encouraged joint funding of many activities. For example, USAID and DFID are jointly funding a number of sustainable microfinance institutions; USAID, DFID, and the UNDP supported the 1999 National Baseline Survey of MSEs.

Smallholder organizations

The Scandinavian countries and DFID (particularly through its support to the Cooperative Bank) are the only donors involved in cooperative development, although the FAO has expressed interest in assisting the GOK in strengthening the cooperative movement. However, many donor activities, including those imple-

mented by NGOs, involve organization of groups. This work is not being done on a comprehensive or institutional development basis. The World Bank has been a major supporter in policy reform in the marketing sector to persuade the GOK to disengage from active market participation. This, again, only has an indirect impact on farmer business organizations, giving such organizations a more level playing field on which to compete.

Title II

Regular PL480 Title II development partners are CARE, Catholic Relief Services (CRS), the Adventist Development and Relief Agency (ADRA), Technoserve (TNS), Heifer Project International (HPI), Food for the Hungry International (FHI), and World Vision (WVI). These PVOs collaborate with other NGOs working in selected vulnerable areas of Kenya. Major NGOs are Oxfam, Save the Children/UK, Catholic dioceses, Medicins Sans Frontieres (MSF, from Spain, France, and Holland), German Agro Action, GTZ, Action Aid, Plan International, Lutheran World Relief, World Concern, AMREF, and the Kenya Red Cross. Some Title II partners are also major representatives on geographic teams of the Kenya Food Security Steering Group, comprised of international organizations, GOK line ministries, and USAID's Famine Early Warning System Network (FEWS-Net) project. They coordinate closely with the UN World Food Programme, UNICEF, the GOK Office of the President (Department of Relief and Rehabilitation), and the World Bank Arid Lands Resource Management Project.

Title II programs will play an important role in achieving SO7 results in ASAL areas and are development partners for key pieces of each IR, as noted in the discussion of each IR. The private sector and NGOs are also key players in all IRs, and close relationships have been established with these organizations as both implementing partners and key partners in Kenya's development process.

RESULTS TO BE ACHIEVED

THE STRATEGIC OBJECTIVE

Strategic Objective 7: Increased rural household incomes

The Mission's new strategy for agriculture and enterprise development continues to focus on rural-based economic growth as the basis for addressing Kenya's poverty. In the new strategy period, SO7 will also emphasize increasing rural incomes in ASAL areas as well as in the high- and medium-potential focus areas of the previous strategy period.

SO7 directions

Based on the analysis and consultations discussed above, USAID/Kenya has revised its SO7 for the 2001 to 2005 ISP period. There will be continued focus on smallholder producers who constitute the rural poor. There will be increased attention at the design and implementation levels to address the needs of women and to ensure increased impact of the interventions on women. The Mission is still identifying the impacts of HIV/AIDS on the sector, and appropriate interventions. The team may undertake pilot activities in areas with high HIV/AIDS prevalence to address the disease's impact.

To increase rural incomes, Kenya must focus on increasing agricultural productivity (including maize to decrease costs of food) to increase profits of smallholders. Because rural incomes are increasingly derived from off-farm MSEs, the Mission will continue its work in microenterprise development. On the agricultural side, increases in marketed production will increase incomes. In more vulnerable areas, enhancing household food security during normal times and minimizing impact of drought will decrease household expenditures on food, thereby increasing disposable incomes and contributing to achieving the SO.

Under the proposed SO7, natural resource management (NRM) is addressed specifically

as it affects the sustainable use of natural resources for agricultural production. This complements SO5's emphasis on preserving the biodiversity of Kenya's natural resources.

During consultations with stakeholders, including women, it became evident that the Mission should address the needs of small-holder business cooperatives, associations, and organizations, including those representing women. The SO7 program will consider the policy context and enabling environment facing producer organizations to determine if further changes are needed. It will target those organizations in selected sub-sectors that can help increase agricultural productivity and improve marketing in the sub-sectors.

Policy research, dissemination of information, and improved dialogue will continue to be important elements of all SO7 intermediate results. The Mission will work with partners involved in these activities to ensure that, where appropriate, their work presents gender-disaggregated analyses and findings, and that this information is presented in fora that include women stakeholders. The Mission will build on the capacity already present in local institutions and explore ways to encourage the GOK to use research and information resources in its decision-making processes.

As the analyses have shown, a combination of interventions is required to achieve increased rural household incomes in the diverse AEZs of SO7. Availability and adoption of improved technologies, access to financial services, increased off-farm income opportunities, access to markets, and information about those markets are all essential to allow both male and female rural smallholders to make rational, profitable, and sustainable choices about their investments in on- and off-farm activities. The Mission will continue working with Title II partners in

ASAL areas to identify activities that will increase incomes, initially through increased food security and strengthened coping mechanisms that will help communities to mitigate the effects of drought and improve the rate of recovery from previous droughts. For some Title II partners, this will mean some redirection and new analyses to identify and support activity choices. It will also encourage closer collaboration in some activities in which Title II partners may not have expertise or a comparative advantage, such as marketing, microfinance, and microenterprise development.

Magnitude of change

At the SO level, USAID/Kenya believes that incomes can be increased by 10 percent for maize, 20 percent for horticulture, 20 percent for dairy, 10 percent in Title II project areas, and 30 percent for micro- and small enterprises by year five of the strategy period. These estimates are based on a draft results-of-work done by Tegemeo household-level surveys that will lead to household income proxy measures.

Agricultural productivity can be increased by 10 to 15 percent over the planning period, depending on the AEZ, the commodity, and the level and numbers of technologies adopted by farmers.

Value in agricultural trade can be increased by 10 to 20 percent in targeted areas, again depending on the commodity.

Numbers of new off-farm jobs generated through MSEs will increase by 1.2 million over the five-year period.

Convergence with GOK objectives

SO7 directly supports the government of Kenya's evolving Interim Poverty Reduction Strategy Paper (I-PRSP), which will form the basis of Kenya's development agenda over the next three years. Many SO7 activities and analyses complement sections of the I-PRSP regarding agriculture and microenterprise development and the need for gender sensitivity and equity. Increased rural incomes will lead to the GOK's goal of reducing poverty.

In response to the declining economic situation and the deterioration of the agricultural sector, the GOK recently committed

to directly tackling the myriad constraints to economic growth within the framework of a Poverty Reduction Strategy Paper. The Interim PRSP, accepted by the IMF in July 2000, commits the GOK to stabilize and strengthen the macroeconomic environment and to target its development funding to investments that will have a direct impact on reducing poverty. Much of the I-PRSP program in the agricultural sector builds on the liberalization of the previous decade, emphasizing continued restructuring of the remaining marketing boards and cooperatives to make them less government-controlled and more competitive.

The I-PRSP goal is to increase agricultural growth by four to six percent per year. Emphasis will be on increasing productivity in the food and export crop sectors, improving services to farmers, focusing on women farmers, ensuring policies and legal frameworks are conducive to growth and private sector investment in agriculture, and addressing the particular needs of ASAL areas. The I-PRSP gives priority to establishing a food security reserve, supporting a functional early warning system, ensuring quality control for agricultural inputs (especially improved seeds), controlling plant and livestock diseases, and combating HIV/AIDS's effects on food security. In addition, the GOK will facilitate increased production by harmonizing legislation on marketing arrangements, starting with coffee and tea, by separating the marketing and regulatory functions of these boards. Roles of the dairy and pyrethrum boards are also being reviewed.

While the I-PRSP document is new, there are already signs that many I-PRSP commitments will be honored. Major changes are being proposed and discussed with farmers regarding the role of the Coffee Board. The Tea Authority has already undergone positive revisions. Similar discussions are ongoing regarding the role and composition of the Dairy Board. The primary parastatal for milk processing, the KCC, is on the auction block, and the government-supported artificial insemination agency is being privatized. Private sector associations and government agencies, several of which are supported by USAID, are working to provide the GOK with draft legislation to assist Kenyan

horticultural producers and exporters meet EU minimum residue standards so that Kenya may continue to export its products to the EU. The GOK has also approached USAID for assistance in developing a market-oriented seed certification process, and is already certifying seed produced by a U.S. NGO to expand the availability of improved seed to farmers.

In the I-PRSP, the GOK commits to further accelerating its efforts to improve governance, including in the roads sector and the agricultural cooperative movement. The I-PRSP also states that the GOK will work to rationalize Kenya's trade regime with those of its neighbors in COMESA and the EAC.

While progress over the past decade in many of these critical areas has been less than satisfactory, there is renewed hope that the GOK will be successful during this new era of reform.

Convergence with GHAI objectives

The objective of increasing rural incomes to alleviate Kenya's growing poverty is in harmony with GHAI's objective of strengthening African ownership to enhance regional food security. Increased smallholder farmer production will directly lead to increased food availability for Kenya and the rest of the GHAI region.

USAID/Kenya's past work on the liberalization of grain markets has allowed unrestricted grain movement from surplus-producing to deficit areas within Kenya, benefiting both producers and consumers and enhancing food security in the country. Reforms have also encouraged regional trade by stimulating imports of grain from Uganda and Tanzania, improving regional food security and providing income and production incentives for farmers in the region. While more improvement is required, market liberalization now allows the private sector in Kenya to import grain from other countries, substantially decreasing its dependency on donor-supplied food aid except in times of drought. Commercial, private sector imports average around 300,000 metric tons in "normal" years, providing food to cover the deficit in Kenya's domestic production of, primarily, wheat and maize. This commercial importation goes a long way to ensuring a

sustainable food balance in the country and to food security at a national level—but not necessarily at the household level.

The Mission's support of local policy research and dialogue, technology development and transfer, and appropriate policy change has built African capacity and ownership of the results. Much of the research supported by USAID/Kenya and REDSO/ESA through commodity research networks has improved Kenya's agricultural research and also has had a positive impact on food security in neighboring East African countries. Rwanda and Tanzania now use improved varieties of seeds developed by USAID support to the Kenya Agricultural Research Institute. KARI is an active partner in facilitating technology development and transfer in the region. Involvement of the private sector in technology development and transfer has increased the potential for replication of KARI's technology in Uganda and Ethiopia.

USAID-supported NGOs have used operations in Kenya as learning laboratories for expansion to other countries in the region. The Kenya Rural Enterprise Program (K-REP), the leading Kenyan microenterprise NGO, hosts increasing numbers of visitors from surrounding countries who come to learn about K-REP's successful model. K-REP provides capacity-building consultant services to local or international organizations to expand lessons learned in Kenya to the region. For example, K-REP is assisting an international organization to establish a microfinance institution in Somalia and is the microfinance partner of the Global Livestock Collaborative Research Support Program (GL-CRSP) on pastoral risk reduction in northern Kenya. K-REP has conducted several research studies for the Bank of Tanzania to create an enabling environment for the microfinance industry there. K-REP is the first NGO in Kenya to become a formal sector banking institution focused exclusively on microenterprises, and has thereby increased its outreach activities and enabled many poor people to get loans. Through African ownership, K-REP continues to build regional capacity for activities that increase food security and link relief to development. K-REP has recently undertaken a key pilot project to determine how to

provide financial services to HIV/AIDS-affected families.

USAID/Kenya and REDSO/ESA are supporting seed policy harmonization, which will lead to greater flows of yield-enhancing seed varieties throughout the Greater Horn of Africa. The USAID-funded Famine Early Warning System Network (FEWS-Net) monitors current agro-climatic, socio-economic, and health indicators to identify potential famine conditions and to allow for early and cost-effective responses. FEWS-Net produces monthly and annual vulnerability assessments that highlight the underlying causes of chronic food insecurity in Kenya and the GHAI region. FEWS-Net assessments have shown that not only drought, but civil unrest, population pressure, and a lack of options for income diversification cause food insecurity in Kenya. By better understanding the root causes of food insecurity, instead of dealing with crises, strategies for sustainable development can be designed. FEWS-Net also contributes to developing local capacity by working with government and non-governmental organizations to improve their ability to monitor food security throughout the country.

Convergence with USG objectives

To promote its goal of economic development, the U.S. Mission to Kenya has established ten objectives in its Mission Performance Plan:

1. Encourage the GOK to strengthen and sustain its economic governance reforms.
2. Maintain effective donor coordination through continued cooperation in the Economic Governance Group.
3. Strengthen agricultural markets and make them more competitive.

4. Increase productivity of selected agribusiness sub-sectors.
5. Increase growth of non-traditional agricultural exports.
6. Increase trade in agricultural markets.
7. Increase access to business support services.
8. Encourage the GOK to address its financial sector problems, particularly in the banking sector.
9. Work with the GOK to complete the Safe Skies evaluation of Kenya's air traffic and airport security systems.
10. Conclude an Open Skies agreement with the GOK.

The Ambassador, USAID Director, Economic Counselor, and USAID Assistant Director are active participants in the Economic Governance Group, and all promote objectives 6, 7 and 3. USAID, the Foreign Agriculture Service, and the Foreign Commercial Service work together in promoting objective 3. Objectives 4, 5, 6, and 7 will be pursued through USAID's SO2.

How SO7 contributes to the USAID/Kenya goal

Increasing rural household incomes is essential to achieving a prosperous and democratic Kenya. To sustain and improve public services and build democratic institutions, Kenyans must have higher incomes. A population with higher incomes is a population with higher expectations for its future and the future of its children. When people are able to pay for health and education services, those services can be sustained and improved. Likewise, economic growth will create financial stability and allow Kenyans to take a more constructive interest in the political environment that affects their economic well-being.

RESULTS FRAMEWORK

Four high-level intermediate results (IRs) and 15 lower-level IRs contribute to increasing rural household incomes.

IR7.1, *Increased productivity of targeted agricultural sub-sectors*, will show increased yields in dairy, horticulture, and maize production in high- and medium-potential

areas. In ASAL areas, Title II partners will work with the SO team on profiling and selection criteria to identify the most appropriate sub-sectors for each AEZ. In all areas supported by SO7, there will be increased adoption of practices to improve sustainable use of the natural resource base,

including soil fertility and soil and water conservation. Farmers will begin diversifying and shifting to more profitable agricultural activities. Mission partners will collect and provide analyses of gender-disaggregated data where feasible, share this information widely, and use it as a management tool and to raise awareness of gender issues in the sector.

IR7.2, *Increased agricultural trade*, will result in more volume and increased value of Kenyan agricultural commodities (dairy and horticultural products.) In ASAL areas, there will be increased trade in selected crops, livestock, and livestock products in domestic and regional markets. Markets for dairy, horticultural products, and maize will become more efficient, with farmers receiving higher percentages of retail prices, benefiting producers and consumers. Domestic and international markets will provide the demand side “pull” incentives for producers, initially for the sub-sectors in the high- to medium-potential AEZs, but eventually also for the ASAL area sub-sectors, to increase their production for these markets. New market opportunities will be opened up by improving market services and development of grades and standards to promote competitiveness of Kenyan products. Policy institutions supported by USAID such as Tegemeo, the Institute for Policy Analysis Research (IPAR), and KIPPRA will broaden some of their economic policy issues to the extent feasible to identify policy concerns in the legal sector that may be critical for development and reform, including those with significance for women in Kenya.

IR 7.3, *Increased access to business support services for micro- and small enterprises*, will result in more profitable MSEs, with better access to credit and savings services, more choice of financial products, and access to non-financial services including appropriate technology,

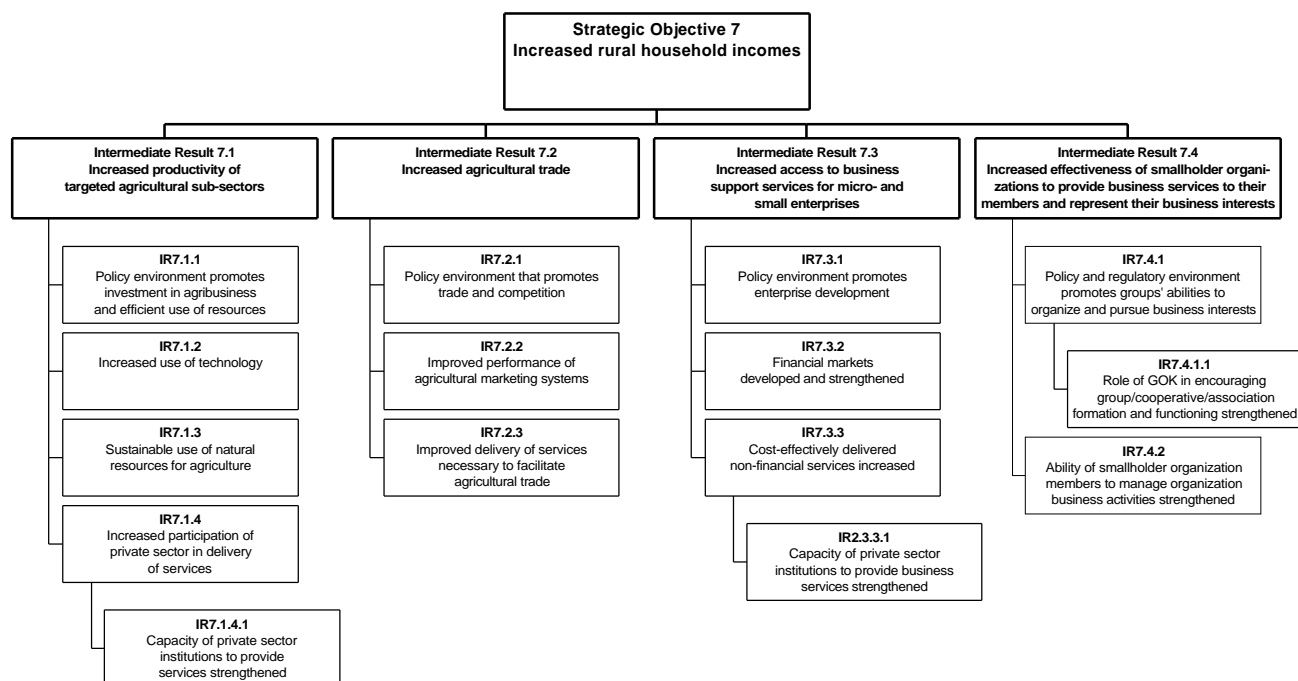
skills, and business training. Businesses will become more efficient and profitable. More and appropriately-scaled technologies will be developed for MSEs to increase efficiency and profitability and diversify their businesses. MSEs will have simplified and harassment-free processes for business registration and licensing and for accessing business sites and utilities. In Title II areas, the Mission will encourage Title II partners to use a “best practices” approach when undertaking microenterprise and microfinance activities. In these Title II areas, there will be an increase in access for men and women to business development skills and financial services. While the impact may be slower and less significant, households in vulnerable areas will also enjoy more diverse sources of income.

IR7.4, *Increased effectiveness of smallholder organizations to provide business services to members and represent their business interests*, will make these organizations efficient and responsive to both their female and male members. They will provide more services such as market information, lower-cost inputs, bulking, storing, and marketing of produce, and value-adding activities. These services will be tailored to address the needs of smallholder farmer members, both men and women. As they mature, some producer organizations will become involved in advocacy for their members. Empowered female and male members will be able to take responsibility and hold management accountable for performance on a sound business basis.

Targeted sub-sectors

The intermediate results on agricultural productivity, on markets and trade, and on smallholder organizations are very closely tied and interdependent. Thus, the Mission will largely focus its resources on the same sub-sectors across those three IRs.

Results framework



ASSUMPTIONS AND CAUSAL RELATIONSHIPS

Assumptions

Critical assumptions to activities undertaken to achieve SO7 are:

- That security will not deteriorate to a degree that would fundamentally undermine the activities proposed to achieve the objective.
- That Kenya's macroeconomic policies and the political climate remain essentially supportive of the proposed objective. A stable and healthy macroeconomic environment is required to provide the government with resources to invest in development, public services, and infrastructure essential to the agricultural sector, including roads, telecommunications, and research. A stable economic environment also promotes lower interest rates and encourages the domestic and foreign investment that helps the economy grow.
- That market-distorting insecurity in several areas of Kenya remains localized. For example, livestock movements from the north to markets in the south are frequently inhibited by insecurity along major market routes. Insecurity results in higher prices, as risk factors are added to traders' costs. Potential investors, domestic and foreign, are reluctant to invest if security is a concern. Violence related to the 1997 elections resulted in marked declines in tourism, decreased investment in areas of unrest, and an extremely long economic recovery period. Many micro- and small enterprises were burned, and most had no insurance to cover such losses.

Causal relationships

The majority of Kenyans live in rural areas and are tied both directly and indirectly to agriculture. Therefore, agricultural productivity must improve to increase rural household income and alleviate poverty. Special considerations are necessary for this approach in the vulnerable ASAL areas, which traditionally have lower natural resource and services endowments. In these areas, long-term economic development must include activities that are drought-resilient, and must strengthen coping mechanisms to mitigate the effects of drought and shorten the recovery period. Agricultural producers, the majority of whom are women, must be provided a variety of tools and incentives to adopt improved production-

enhancing and cost-reducing technologies. SO7's approach will be to support the development and provision of productivity-enhancing technologies that also sustain the natural resource base upon which agriculture depends. Sustainable productivity increases will help achieve increased real incomes. Especially in the fragmented high-potential areas of Kenya, there is a trend of agriculture moving into more marginal areas to accommodate the increasing population. Some ASAL areas of Kenya could accommodate some degree of expansion if done with mitigation measures to ensure these fragile lands are not over-exploited. (Title II partners already take such measures in their programs.) However, the general approach in the strategy is to increase productivity rather than expansion that can lead to environmental degradation and conflict over use of resources.

Producers, both men and women, must be able to choose the production options that will provide them the highest returns, be they food crops, cash crops, livestock, or a combination. In the high- and medium-potential AEZs, producers will have a wider choice and probably produce surplus crops and livestock products for market that can be sold at a profit. Research in many African countries has shown that farmers with cash crops have higher productivity in food crops and higher incomes.

SO7 will support marketing and trade, since increased productivity alone will not guarantee increased incomes. Without market outlets and demand for products, farmers will have no incentive to invest in production-enhancing technologies. The SO7 strategy emphasizes trade in agricultural markets and recognizes that it is increasingly important for Kenya to become active in those regional and international markets where it has a comparative advantage. To date, Kenya has relied primarily on European markets for its non-traditional agricultural exports (NTAE). As competition increases due to changes in the Lomé Convention, the Common Market for East and Southern Africa (COMESA), and the East African Community (EAC), Kenya must more actively develop new products and seek new markets for its products —domestically, regionally, and internationally.

MSEs are critical to increasing incomes in rural and urban households. MSEs provide capital for investment in other profitable activities. Often these activities are directly supportive of agriculture and provide the goods and services required in the agricultural sector, such as input and output marketing, processing, and transport. In the absence of access to the formal banking sector, microfinance institutions often provide MSEs with their only source of the financial services they need to expand, diversify, provide income, and develop employment opportunities for Kenyans.

Finally, smallholders can benefit from forming groups for a common set of objectives, including by and for women. Women's groups may provide better services to women

than groups comprised of men and women. These groups can increase members' power to negotiate in markets, take advantage of economies of scale for certain activities, and provide services at lower costs than alternative mechanisms. Such groups, be they cooperatives, associations, or informal groups, can—if run by their members as sound businesses—be competitive in the marketplace, decrease costs to smallholders, improve agricultural productivity, and improve the competitiveness of Kenyan products on the global market. As these groups develop and become more sophisticated, they can become powerful advocates for their members to induce favorable policy changes by the government and become a voice for the smallholder rural sector.

INTERMEDIATE RESULTS

Intermediate Result 7.1 Increased productivity of targeted agricultural sub-sectors

Despite projections for a stagnant economy in the 2000 to 2002 period, there are sectors of the agriculture-based economy that can grow and allow rural household incomes to increase.

Sectors must be selected carefully in the Kenyan context, given the country's poor economic performance. However, even under current conditions, there are certain goods that are less likely to be affected by a stagnant, or even declining, economy. USAID should assist Kenyans to increase their productivity and to market surpluses in those sectors with such a potential. Demand may come from domestic, regional, or international markets. There are three broad categories of commodities that fulfill these requirements.

- Essential goods for which demand remains relatively inelastic even in difficult economic times such as maize and sugar.
- Commodities whose market demand is determined totally independent of conditions in Kenya such as coffee, tea, and horticultural products.
- Specialized niche goods for highly localized markets.

In addition to these three categories, Kenya needs to adapt and increase production of drought-resilient crops.

In all AEZs, farmers will have higher yields, lower costs of production, increased returns as a result of better agricultural policies, and increased access to productivity-enhancing technologies. Some farmers will diversify their production schemes from lower to higher-return agricultural activities. Farmers in all AEZs will have a better understanding of sound natural resource management practices such as soil fertility management, and soil and water conservation measures.

Sub-sector profiling and selection criteria

In developing the new SO7 strategy, the Mission, with assistance from the International Food Policy Research Institute (IFPRI), AFR/SD, and a Kenyan agricultural economist, has begun refining criteria for the selection of agricultural sub-sectors that promise to have the most impact on rural incomes for high- and medium-potential and ASAL areas.

Initially, a profiling of each AEZ will be done to identify which sub-sectors are likely candidates. The profiling will address the following:

- Status of rural incomes and poverty, such as proportion of households below a certain income threshold.

- Identification of the major sub-sectors, by land area cultivated for each.
- Identification of those sub-sectors that are significant sources of income.
- Determination of predominance of small-holder production in the sub-sector.
- Identification of current productivity, physical, or value trends in the sub-sector.
- Identification of important constraints to productivity—infrastructure, agro-climatic conditions, frequency of drought, prevalence and impact of HIV/AIDS, gender issues, conflict, and lack of availability and access to technologies, services, and markets.

The following criteria-setting questions will then be addressed:

- Are technologies developed and available to increase productivity in the sub-sector? If available, what is the likely increase in productivity with the technology?
- Are the technology interventions profitable? Do they have high adoption potential?
- What is the estimated degree of change and impact from the interventions?
- To what degree will interventions correct identified constraints?
- How will interventions contribute to SO7 and the IRs?
- Does USAID have a comparative advantage in the required intervention? Are there other donor partners present for collaborative efforts?
- What impact will the interventions have on poverty alleviation, food security, nutrition, harmonization with regional strategies, and U.S. foreign policy?

IR7.1.1 Policy environment promotes investment in agribusiness and efficient use of resources

IR7.1.1 interventions will lead to an improved policy environment that is predictable, provides positive signals to producers, and ensures that policies are gender-sensitive. Policy changes will increase availability of improved technologies to both female and male producers, and increase private sector participation in seed multiplication and distribution. GOK services in seed certification and registration of new varieties will improve, allowing for faster introduction of new varieties into the Kenyan market.

IR 7.1.2 Increased use of technology

Improved technologies will be developed for, transferred to, and adopted by both male and female farmers in targeted sub-sectors in all AEZs. In high- and medium-potential areas, farmers will increase yields, increase use of improved seeds, fertilizers, and artificial insemination with improved semen, and will adopt improved management practices. To give male and female farmers the necessary information for technology adoption, innovative extension systems will often be provided by a combination of private sector organizations, NGOs, and the government. In the ASAL areas, many of these extension and information services will be provided by community-based organizations, NGOs, and GOK extension services. Women's access to agricultural extension training and introduction of new technologies will increase.

IR7.1.3 Sustainable use of natural resources for agriculture

Male and female farmers' awareness of sound natural resources management practices and knowledge and practice of sustainable practices in agriculture will be increased in all AEZs. Technology transfer mechanisms will include NRM components to maintain soil fertility and improve cropping, livestock, soil, and water management practices.

IR7.1.4 Increased participation of private sector in delivery of services

In medium- and high-potential areas, the private sector will become more actively involved in delivering services required for agricultural production based on improved technologies. The private sector will provide more information, extension services, product development, and inputs for production, invest in research to support new or improved technologies for new products or crops, and ensure that sustainable, NRM practices are used. In the ASAL areas where access to infrastructure is limited, NGOs and community or farmer-based organizations, working with GOK agencies, will provide many of these services until it becomes feasible for the private sector to do so.

Intermediate Result 7.2

Increased agricultural trade

Agricultural trade encompasses the whole process of delivery of inputs to farmers, collection, bulking, storage, transportation, processing, and delivery of agricultural products to local, national, and international consumers. IR7.2 will increase the value and volume of traded output among rural agricultural households as well as between them and the rest of the domestic and international economy. Marketing systems will be improved, and trading costs will fall. Response to market demand will be faster, and value-adding activities for selected agricultural sub-sectors will be increased. This will lead to competitive prices, increased profitability of farming activities, and increased rural household incomes. Title II resources will be used to achieve the same kinds of results in ASAL areas, but due to the difficult conditions in most such areas, progress will be slower, and products will probably cater primarily to the domestic markets, and to a lesser degree to the regional and international markets. Agricultural trade will be increased through four intermediate results.

IR7.2.1 Policy environment that promotes trade and competition

Appropriate marketing systems and services require a policy environment that promotes trade and competition in the domestic, regional, and international markets. The government's role in marketing will change from controller to facilitator. Government policy will build on earlier liberalization measures to promote private sector participation, increased competition, value-adding processing of agricultural products, international partnering, and development of internationally acceptable grades and standards. To increase trade in the region, Kenya's capacity to effectively participate in trade agreements will be developed in government and in private-sector think tanks. Trade policies will be better harmonized with those of regional and international trading partners and, in particular, with World Trade Organization (WTO) requirements. Policy reforms are expected to lead to increased private sector investment in various aspects of agricultural trade, thereby increasing market efficiency, lowering marketing margins, and

improving incomes for both producer and consumer households.

IR7.2.2 Improved performance of agricultural marketing systems

The domestic agricultural market will be characterized by efficient access by both men and women to market information and low marketing margins. Efficient access to reliable high quality market information is critical to improving market performance, because it enables producers to know the types, quantities, and quality characteristics that manufacturers and end consumers demand. Market information also includes timely knowledge on prices, new market opportunities and strategies to penetrate them, new products in demand, and technologies that can be borrowed and used to enhance product values. Standards and grades will be developed that are acceptable in regional and international markets, and, when applied, will improve market efficiencies by decreasing risk and uncertainty, thereby increasing the competitiveness of Kenyan products. In ASAL areas, market information systems for the more important traded commodities (crops and perhaps livestock) will be developed and information will be disseminated to farmers via their farmer associations. IR7.2.2, in concert with the IR7.4, will strengthen the capacity of smallholder producer organizations in targeted sub-sectors to market their members' produce competitively and to act as conduits for information and skill development.

IR7.2.3 Improved delivery of services necessary to facilitate agricultural trade

To increase local and international trade of predominantly smallholder-produced agricultural products, IR7.2.3 will improve the delivery of necessary services to both male and female smallholder producers. There will be increased services such as bulking, storage, processing, grades and standards enforcement, certification, packaging, licensing, contract enforcement, arbitration mechanisms, risk assessment, financing mechanisms, and transportation close to the farm gate. Provision of these services within the marketing system will ensure that high quality products translate into verifiable grades and standards and, ultimately, into increased competitiveness, higher prices, and increased incomes for the smallholder producers.

Intermediate Result 7.3 Increased access to business support services for micro- and small enterprises

The Mission will increase and strengthen MSEs by pursuing three key results: a policy and regulatory environment that will spur growth, a strong and developed market that provides sustainable and widely accessible financial services, and private sector delivery of cost-effective business development services. Agribusinesses will be assisted on a limited basis to strengthen their business practices and thereby expand production and employment opportunities generated by these enterprises.

IR7.3.1 Policy environment promotes enterprise development

A supportive regulatory environment will be enhanced by implementing current policy changes. Policy constraints have already been identified and discussed over the past several years. In the new strategy period, USAID support will lead to implementation of these previously identified policy-level constraints. Policy changes will provide informal sector businesses with property rights, increased and easier access to financial services, and increased and affordable access to business skills training, registration, and licensing, especially for women. Through this result, the Mission will ensure that a sound, functional, and favorable policy environment leads to increased incomes and employment.

IR7.3.2 Financial markets developed and strengthened

There will be increased and sustainable links between microfinance institutions (MFIs) and MSEs to the formal banking sector. More mature MFIs will decrease their dependency on external subsidized injections of capital from donors by increasing their savings mobilization operations. There will also be more MFIs entering the market, and these nascent MFIs will receive capital funds in order to build and strengthen their base of lending resources. In ASAL regions, group lending models will be developed using “best practices” approaches. Access to such services will be increased, especially for women. New financial products will better reflect clients’ needs and demands. Savings and loan products

will be developed that are suitable for rural MSEs and households, and that are appropriate to the needs of MSEs owned by women. Innovative financial service delivery mechanisms will increase outreach to rural areas and will increase involvement of grassroots and informal financial systems, which are often operated by women’s groups.

IR7.3.3 Cost-effectively delivered non-financial services increased

Appropriate non-financial interventions such as small-scale technologies, market linkages, and identification of business opportunities will increase market opportunities for MSEs. Cost-effective business development services (BDS) will complement financial services for MSEs. MSEs will have improved business practices and improved profitability and efficiency. Improved marketing opportunities will result in higher returns on the sale of farm produce. That, in turn, will contribute to increased incomes. Women will also benefit because 47 percent of MSEs are women-owned.

Intermediate Result 7.4 Increased effectiveness of smallholder organizations to provide business services to their members and represent their business interests

Smallholder business organizations will have improved organizational and financial management systems, trained managers, and male and female members who fully understand their rights and responsibilities. These primary-level organizations will become more effective in identifying and carrying out sound business decisions for the benefit of members and generate revenues for the organization and therefore increase returns for members. Both male and female members will be knowledgeable and empowered to hold their organizations accountable. In some sectors, secondary-level, or apex, organizations may be formed with their membership drawn from the primary-level organizations. These apex organizations will be assisted to advocate for changes in policies and regulations that will benefit their wider membership. Women members will become more numerous and active in these organizations.

IR7.4.1 Policy and regulatory environment promotes groups' abilities to organize and pursue business interests

Policies and regulations will encourage farmers to form businesses as groups. Increased incentives provided by this policy environment will improve farmers' confidence in the long-term prospects of their organizations. Policies will encourage these business organizations to perform marketing, input supply, market information, and other services to benefit group members. Government will not play a leading role in the management of these organizations.

IR7.4.2 Ability of smallholder organization members to manage organization business activities strengthened

Members will be confident of their rights and abilities to manage their organizations and to hold their organizations accountable. Organizations will become professionally-run businesses, making sound business decisions that benefit members. Shares of profits may be paid as dividends, depending on organizational type. Organizations will diversify their business activities and services as desired by members. Checks and balances will be instituted in organizations' financial, organizational, and management systems. Sound and profitable organization management will result in more members joining the organizations.

ILLUSTRATIVE APPROACHES

Intermediate Result 7.1 Increased productivity of targeted agricultural sub-sectors

The Mission will support policy reform, technology development and transfer, product diversification, increased private sector participation, and increased availability of commercial inputs such as seeds, fertilizer, and livestock genetics to both men and women in the targeted sub-sectors. Support will be provided to selected sub-sectors with high potential for success and impact, using the profiling and criteria exercise described previously.

In the ASAL areas, Title II partners will undertake these analyses to determine what sub-sectors will have the most impact on incomes and food security, although there will also be consideration of nutritional impact. Many Title II programs are already approved and will take some time to adjust their activities to better address the new SO7 strategy. In the new strategy period, Title II partners will be encouraged to continue collaborating with international and Kenyan research centers (ICRISAT, ICRAF, KARI, and ILRI) to identify more possibilities of drought-resilient technologies and practices for the ASAL areas. Title II partners will provide training to and demonstrations with selected farmers who will then disseminate the knowledge and skills to their neighbor farmers. Subjects to be covered in this training will include suitable drought-tolerant crop varieties, storage and processing technologies, livestock health and husbandry, and conservation and environmental practices to maintain soil fertility.

The SO Team will work closely with implementing partners to ensure that collection of gender disaggregated data is institutionalized. This information will also be widely disseminated and used for management, decision-making and for raising awareness of gender issues.

IR7.1.1 Policy environment promotes investment in agribusiness and efficient use of resources

The Mission will provide financial and technical assistance to Kenyan policy research institutes that provide the analytical bases and recommendations for changes in critical agricultural policy areas. The Mission will also provide such support to agribusiness enterprises, trade associations, and other institutions including appropriate and effective women's organizations that can represent key elements of the Kenyan private sector in lobbying, introducing new technology and management practices to local industry, and linking Kenyan producers with domestic, regional, and other international markets. A major initial focus will be on seed policy. Policy dialogue between donors, government, and potential beneficiaries, including women who will participate in discussions and meetings, will be strengthened to encourage an enabling environment for increased productivity and output of quality products.

IR7.1.2 Increased use of technology

The Mission will continue supporting research efforts by Kenya Agricultural Research Institute (KARI) on developing better grain, horticultural, and livestock varieties and practices both for more productive AEZs and drought-resilient technologies for the ASAL areas. To promote use of improved technologies in the dairy sector, USAID will continue support via the private sector and NGOs. Innovative methods will be adopted to increase transfer and adoption, by both men and women, of locally developed and imported technologies in selected agricultural sub-sectors. SO7 will support formal and informal private sector and NGO-led seed supply and involve all commercial seed types, including maize, horticulture, and drought resilient crops. The support will include: formal and informal seed multiplication, with emphasis on farmer-level

operations; privatization of the seed sector; strengthening of seed associations; and capacity-building of seed and fertilizer support systems. In the ASAL areas, Title II resources will be used to develop technologies such as micro-irrigation systems, drought tolerant crop varieties, and appropriate water technologies to provide water for humans, crops, and livestock.

IR7.1.3 Sustainable use of natural resources for agriculture

Technology development and transfer will be NRM-sensitive and based on the characteristics of the agro-ecological base. The program will support targeted research and will provide male and female farmers, private sector actors, government extension agents, and NGOs with information on NRM practices for crop and livestock management, land use, and water and soil fertility management. It will disseminate information through farmers' groups and associations, extension workers, and the private sector, and ensure that women are also recipients of information. Title II resources will promote NRM practices such as soil fertility management, tree planting, protection of natural springs and water catchment areas, and soil and water conservation activities in the drought-prone areas.

IR7.1.4 Increased participation of the private sector in delivery of services

USAID will improve operational efficiency and increase effectiveness of client firms performing critical functions required by producers. The Mission will make every effort to ensure that targeted firms are sensitive to gender issues and meet the needs of female as well as male producers. Such services include input delivery, provision of credit, advice on new technologies, access to markets, and processing. Targeted areas of assistance under IR7.1.4 include strategic planning, business organization, financing systems, marketing systems, management skills and techniques, and agribusiness management. Title II resources will encourage partnerships between NGOs, the private sector, and the government for service delivery in selected marginal areas. For example, in the pastoral areas, the Title II partners will collaborate with the Government to train community para-veterinary

practitioners who will provide commercial animal health care services.

To ensure that women benefit from private sector delivered services, every effort will be made to encourage private sector entities to take gender differences into account during research on the development of new or improved technology and during their agricultural extension activities.

Intermediate Result 7.2 Increased agricultural trade

IR7.2.1 Policy environment that promotes trade and competition

To help Kenya move forward with necessary trade and marketing policy reform, the Mission will continue to support policy and institutional analyses, dialogue, and advocacy work aimed at appropriate policy changes, institutional and structural reforms, and decentralization of the trade facilitation process in government. SO7 support will go to local think tanks and policy institutes, and perhaps to selected parts of the government. Support will build capacity for understanding trade agreements and improve trade negotiating skills of the private sector, non-governmental organizations, and selected government officials. This will complement REDSO's efforts to strengthen COMESA. Changes in these trade agreements are likely to have potentially devastating impacts on Kenya's ability to increase trade, particularly of value-added, agriculturally-based commodities. Research will continue on market efficiencies to identify sources of bottlenecks that have negative impact on producer incentives and on consumer prices. The Mission will coordinate with policy organizations and encourage them to go beyond the economic issues and policies and identify other policy concerns that are critical for increasing women's participation in trade. Fora will be created for effective lobbying, providing policy analysis findings to relevant parliamentary committees. Women's organizations will participate in discussion fora. USAID-supported research will develop policy options to promote new products, grades and standards, local-foreign partnership enterprises, and producer trade groups engaged in exporting and importing products to and from regional and international

markets. Options will be provided to the government to consider.

IR7.2.2 Improved performance of agricultural marketing systems

To improve market performance, the Mission will support initiatives that reduce costs and increase on- and off-farm productivity of selected agricultural commodity systems. Such initiatives will include increasing the off-take pathways (i.e., the paths taken by raw farm products through value-adding activities and into markets for consumption) for agricultural products from rural farms to domestic, regional, and international markets. Past support to the government's market information branch has not yielded desired results; the Mission will therefore support innovative sustainable efforts to develop and disseminate market information that clearly identifies prices, new markets to be penetrated, new products in demand, and technologies that can be borrowed and used to enhance product value. Efforts will be made to ensure that women producers have equal access to information, and that the information they get meets their specific needs. The SO will develop an RFA/RFP to solicit a consortia of NGOs and private sector firms to develop a market information system that is accessible to men and women smallholders. In the more isolated ASAL areas where market systems are less developed and less efficient than in the better endowed areas, the SO will encourage its Title II partners to focus on market issues, particularly those that affect the ability of households to produce surplus production. Where partners are in pastoral areas, they will be encouraged to pilot efforts to develop markets for livestock and livestock products. If additional development assistance funds become available, SO2 would also support an effort to complement the Southern Tier Initiative in Ethiopia, with particular emphasis on identifying marketing barriers and opportunities and decreasing risks in this area. Through IR7.4, USAID will strengthen the capacity of smallholder producer organizations in targeted sub-sectors to competitively market their members' produce and pass the benefits on to members and to act as conduits for information and skill development to enhance product marketability. Smallholder households will use such organizations to

procure farm inputs and inventory credit more competitively for their farming and trading activities. Activities under IR7.4 will help smallholder organizations to develop marketing skills, thus contributing to IR7.2.

IR7.2.3 Improved delivery of services necessary to facilitate agricultural trade

The Mission will support programs to improve the sustainable capacity of service providers to increase the types of trade facilitation services available to farm households and firms handling Kenya's agricultural produce, including those managed by women. Technical assistance will be provided to design and facilitate use of grades and standards for the focus commodities. Assistance will be given to build direct institutional links between smallholder organizations and trading agents for bulking, storage, and quality control for niche markets. Title II resources will be particularly useful for building such linkages in the ASAL areas. Title II partners that currently have no experience in this area will be linked to the implementing agents for this IR so that they will receive the necessary assistance.

Intermediate Result 7.3 Increased access to business support services for micro- and small enterprises

IR7.3.1 Policy environment promotes enterprise development

The Mission will focus on implementing current recommended policy changes and making them operational. The Mission will organize a series of stakeholder or action task committee workshops to identify strategies to achieve changes. It will undertake training seminars as necessary for those responsible for implementing policy. It will commission policy research and analysis by local analysts and organizations, if needed, to fill any information gaps, particularly those information gaps relating to the needs of women entrepreneurs. To increase policy implementers' ability to implement policy change, the Mission will support specific capacity-building activities such as training and providing equipment for relevant government agencies. It will support efforts to develop and strengthen associations and other lobby and pressure groups to make them more effective in dialogue with decision-makers. It

will also support new and established fora to facilitate public-private sector dialogue, and ensure that women are included at all levels of discussion.

IR7.3.2 Financial markets developed and strengthened

Microfinance efforts will concentrate on developing new savings and loan products through institutions such as K-REP Bank, K-REP Holdings, the Cooperative Bank, Kenya Women's Finance Trust, Faulu Kenya, and other microfinance institutions (MFIs). The Mission will place significant emphasis on those products and delivery methodologies that expand services to rural MSEs or households, including those managed by women. In the ASAL areas, the Mission will encourage Title II partners to incorporate best practice-based microenterprise activities in their programs. Where partners lack expertise in this sector, they will be linked to MFI leaders in microfinance best practices. Such microfinance systems can be accessed by small-scale livestock traders, community-based animal health workers, propagators of tree seedlings, and other micro-entrepreneurs. To make MFIs more efficient in providing services, the Mission will undertake institutional capacity-building activities such as systems development and staff training, including for MFIs in Title II areas. The Mission will develop tools to address governance and ownership issues that face many MFIs currently constituted as NGOs. The Mission will strengthen an association of MFIs to mainstream microfinance into the formal financial systems and give them a strong voice to advocate for a supportive policy and regulatory environment. It will use a similar approach to link Kenya to world-wide best practices in microfinance. The Mission will provide funds for on-lending to selected nascent MFIs through innovative and sustainable mechanisms such as guarantee and loan instruments provided under the Development Credit Authority. New interventions will be designed to provide HIV/AIDS-affected families with access to microfinance services as a way to increase coping mechanisms. K-REP and several other partners will develop financial products and program approaches to address the serious AIDS challenge without risking the sustainability of other financial services

provider. Kenya's successful approaches in microfinance and enterprise development will provide lessons for other countries in the GHAI region.

IR7.3.3 Cost-effectively delivered non-financial services increased

To increase non-financial services, the Mission will continue supporting institutions such as ApproTEC, Technoserve, and other private sector service providers to develop small-scale technologies, and market linkages to identify business opportunities, and to market information dissemination mechanisms and technical and business skills training to micro- and small enterprises owned by men and women. The program will emphasize cost-effective and leveraged interventions. Many of these small-scale technologies and business development services may be suitable for use in the ASAL areas. Links will be established between these organizations and Title II partners so ensure transfer of appropriate elements.

Intermediate Result 7.4 Increased effectiveness of smallholder organizations to provide business services to their members and represent their business interests

IR7.4.1 Policy and regulatory environment promotes groups' abilities to organize and pursue business interests

USAID/Kenya will contract for analyses of current policies and regulations governing various types of group organizations, such as cooperatives, associations, and self-help groups. Analyses will identify the possibilities and constraints for each kind of organization, and for women within the organizations. Thereafter, activities can be designed that promote appropriate organizational structures. For example, many cooperative members may be unaware of the details of the recently passed Cooperative Law and may not have taken advantage of these changes to re-structure and revitalize their cooperatives. Similarly, many self-help groups may not have the statutory mandate to undertake the business activities they are involved in. USAID will take steps to disseminate findings and recommendations for policy changes to the GOK, parliamentary groups, and other stakeholders.

IR7.4.2 Ability of smallholder organization members to manage organization business activities strengthened

USAID/Kenya will work through a technical assistance contractor with expertise in group business and cooperative development to strengthen smallholder organizations, paying particular attention to ensuring that the needs of women members are specifically addressed. The contractor will also provide assistance to the areas where Title II partners are working, and, with them, develop solid, business-based service providing organizations. Title II partners will assist by providing insight into local communities and customs, traditions, and particular needs. These organizations will primarily be focused on the selected SO7 sub-sectors, whether in the high and medium potential or ASAL areas. With technical assistance, targeted organizations will conduct organizational analyses to identify their key issues, objectives, and goals, and special emphasis will be placed on determining the needs of female members. The contractor will provide organizations with capacity-building training,

including business practices, management, organizational structure and management, principles of business, and marketing. Women members will receive special training if necessary so they may begin to take more active roles in managing organizations and receive equal opportunities for leadership positions in them. Training will be provided to all levels of the selected organizations—management, members, and board members. Depending on circumstances, key government officials will be included so they gain an appreciation of the concept of smallholder organizations as autonomous businesses. Emphasis will be on training to improve business practices, strengthen governance and management, and empower both male and female members to assert their rights and responsibilities *vis-à-vis* their organizations, ensuring that organizations are business-based, member-owned, responsive to members' and women's special needs. The technical assistance contractor will be responsible for working closely with actors involved in marketing, trade, and production under the other SO7 IRs.

PROGRAM SYNERGIES

As discussed above under *Results to be achieved*, SO7's objective of increasing rural incomes directly contributes to GHAI objectives of increasing food security and decreasing or mitigating conflict. Agricultural productivity increases in high- and medium-potential areas will result in income increases, particularly when combined with increased trade opportunities for surpluses. Policy work will identify trade barriers and opportunities between Kenya and its neighbors, thus promoting regional food security as goods can move more easily and efficiently across borders.

In the ASAL areas, many of which straddle Kenya's international borders, agricultural production will contribute to decreased dependency on food aid, strengthen or introduce new coping mechanisms, and improve food security. This may also lead to decreased tensions and conflict in these volatile areas. With additional funding, the Mission would begin to look at livestock risk-reducing activities and markets in the northern pastoral areas that border on Uganda, Ethiopia, and Somalia.

SO7's trade component will also contribute to the region's analytical information network, as Kenya experiments with market information systems. This can be linked to the East Africa, USAID-supported regional market information development effort. Continued support for agricultural research will improve the region's information and technology base for agriculture.

Synergies with SO6, Democracy and governance

Policy development and dissemination

Each SO7 IR includes policy research and dissemination of results to persuade decision-makers to improve existing policies. SO7 will continue its current methods of information dissemination—stakeholder meetings, discussions with donors, and

discussions with GOK ministries—but will take advantage of SO6 assistance to Parliament to expand policy paper distribution and discussion to include relevant agricultural and environmental parliamentary committees.

Smallholder business organization development

Many producer cooperatives and associations are riddled with corruption, mismanagement, poor governance, and political interference. SO7 will strive to improve management, introduce transparent operations, and set up check and balance systems of bookkeeping, accounting, and management to address governance and management problems. There will be a special effort made to ensure that women members receive benefits and are empowered to take decision-making and leadership positions in their organizations. With time, some groups will emerge as strong lobbies to the government, eliciting policy changes that will benefit their members. At the implementation level, SO7 will also put more emphasis on ensuring that women have access to information and services in agriculture, businesses, and farmer associations.

Synergies with SO3, Population and health

HIV/AIDS

With the growing recognition of HIV/AIDS' impact on both economic and agricultural development, SO7 partners are slowly but surely becoming more aware that they must take HIV/AIDS into consideration. Several Title II partners have already or will soon propose program activities addressing HIV/AIDS through the LIFE Initiative, including feeding programs for families adversely affected by HIV/AIDS. Through SO7's microfinance partner K-REP, SO7 and SO3 are working together on an intervention to provide HIV/AIDS-affected

families with access to microfinance services. K-REP and several other partners are developing financial products and program approaches to address the AIDS challenge.

Water, health and sanitation

Many Title II programs have successfully developed community potable water sources and introduced human waste disposal knowledge to rural communities. When combined with health and nutrition education, water-borne nutrition-related diseases are decreased.

Child nutrition

Two Title II programs include a child nutrition and health monitoring program in which village health committees are responsible for monitoring and identifying children who are under-weight for age. Mothers of identified children are provided with supplementary food. Additional LIFE Initiative food resources will also contribute to improved nutritional status in households affected by HIV/AIDS.

Health interventions

SO7-targeted groups offer venues for presenting health messages of social importance. They can provide a vehicle for providing health and HIV/AIDS messages to smallholders. As women become more empowered there may be an increased demand for information on social and health services. Cooperatives in many countries, upon agreement from members, set aside part of their revenues for social or community services including schools, health posts,

small improvements to infrastructure, and development of clean water sources.

**Synergies with SO5,
Improved natural resource
management**

Encroachment

SO7 will contribute to the long-term achievement of SO5 by emphasizing increased agricultural productivity and offering more profitable MSE opportunities to communities in order to decrease agricultural encroachment into forest, water catchment areas, rangeland, and protected areas.

Natural resources management

SO7 partners will be more proactive in including soil fertility management, water conservation practices, and other NRM-friendly activities in their programs. This will contribute to SO5 goals of protecting biodiversity and promoting NRM.

Micro- and small enterprises

SO7's work with micro- and small enterprises will support SO5 activities in nature-focused tourism and business development in SO5-targeted areas. Improved business practices and access to financial and non-financial services developed under SO7 will benefit SO5 partners and customers.

Smallholder business organizations

Both SO7 and SO5 will work with smallholder organizations and businesses and will exchange experiences and approaches.

JUDGING RESULTS

SUSTAINABILITY

SO7's approach builds on the successes of the 1996-2000 strategy. For high and medium potential AEZs, emphasis on private sector-led agricultural development has proven to be effective and sustainable because farmers receive goods and services that increase their incomes and for which they are willing to pay. In drought-prone areas, the Title II program has been successful in strengthening coping strategies, increasing food availability at the household level, and reducing the need for food aid even during drought situations.

Capacity-building

Activities under SO7 emphasize institutional capacity-building. SO7 will continue to help Kenyan private sector institutions and NGOs carry out their mandates in serving producers and entrepreneurs. The new SO7 strategy broadens its activities to target smallholders in ASAL areas through the Title II program. Due to the isolated conditions in most of the ASAL areas, capacity-building will focus on community-based organizations and NGOs, since it is unlikely that the private sector will find service provision in these areas to be profitable. Eventually, as producers become better organized and produce items for a market, the private sector may become a more important partner.

SO7 also adds a component to develop and strengthen business organizations, helping these groups and their members undertake economically viable, profitable activities. This will require extensive institutional development and the provision of management training to members and their organizations. Capacity-building is essential for sustainability of SO7 impacts.

Financial and non-financial services

The Mission will continue with its current emphasis on sustainable approaches to developing MSEs. USAID's approach will be consistent with that pursued in the past: developing services on a demand-driven basis to ensure sustainability. For MSEs to be sustainable in the long term, they will need to have access to affordable capital. They will also need to improve management and marketing, develop new products, and find new technologies to improve efficiency.

Natural resources management

SO7 no longer includes preservation of biodiversity, but gives attention to improved natural resources management as it relates to agricultural productivity in all AEZs with SO7 activities. Sustainable agricultural productivity is critical in Kenya, where a rapidly increasing population puts enormous pressure on the natural resource base.

PERFORMANCE MONITORING PLAN

While some indicators developed for intermediate results and sub-IRs under CSP 1996-2000 will continue to be used under the new SO7, there are new areas of emphasis that require the development of new indicators. The SO7 team did not have sufficient knowledge or time to develop a full PMP. It intends to contract with a firm experienced in PMP development and with several Kenyans who are technical experts in the various components of the SO7 strategy to ensure that the PMP has realistic baselines, data sources, indicators, and targets.

SO level indicators

The Mission is working with Michigan State University and its partner, the Tegemeo Institute for Agricultural Policy, to modify and repeat existing household level surveys to identify proxy indicators for changes in rural household incomes. MSU will apply a methodology developed in Mozambique using household level surveys to identify specific indicators that track most closely with income changes at the household level. Once identified, these proxies can be monitored more quickly and at lower cost than could the larger household surveys. This work is underway in the primarily agricultural areas (high and medium potential areas) and the modified household survey was conducted by Tegemeo in June 2000. Data are being cleaned, further analyses conducted, and modeling done to identify the proxies. By February 2001, this will provide the Mission with the basis to select proxies for households with dairy, maize, and horticultural activities in the high and medium potential AEZs. A separate set of household-level surveys needs to be worked out with the Title II cooperating sponsors to enable the Mission to track income changes for Title II activities in areas not covered by the regular Tegemeo survey. Work in ASAL areas, just getting underway, is likely to take a year. Once proxies are identified, they can be measured in years three and five of the strategy.

IR7.1 Indicators

- Number of varieties developed and available to farmers.
- Rate of high-yielding technologies adopted by farmers disaggregated by gender.
- Volume of seed multiplied by private sector, disaggregated by male and female farmers.
- Enabling policy environment for seed markets in place.

IR7.2 Indicators

- Value of agricultural trade in targeted sub-sectors.
- Volume of regional and international agricultural trade.
- Value of domestic agricultural trade in selected sectors, for example, dairy, maize, and horticulture.
- Market information available to male and female traders and producers.

IR7.3 Indicators

According to the 1999 National Baseline Survey of MSEs, the sector accounts for nearly 15 percent of total employment in Kenya and 36 percent of total non-agricultural employment. The average employment growth rate of the sector during the last five years is estimated at ten percent. It is projected that the sector will continue to grow at the same rate for the foreseeable future. Given the 1999 employment results, total employment for the next five years is expected to reach 3.8 million. The survey results indicate that about ten percent of MSE operators have received credit. USAID, in collaboration with other partners, plans to raise the percentage of operators accessing credit to 20 percent in the next five years.

- Increase in employment by micro-, small and medium enterprises, disaggregated by gender.
- Increase in access to financial services (increase in households accessing credit and savings services), disaggregated by gender.

IR7.4 Indicators

- Number of organizations showing profitability.

Results	Performance Indicator	Baseline		Target (2000)	Data Source
		Year	Value		
Strategic Objective 7: Increased rural household incomes	1. Percentage increase in rural household incomes from targeted sub-sectors (in total Ksh)				Tegemeo and MSU household Surveys
	a. Maize	2000	15,950	10%	
	b. Horticulture	2000	30,780	30%	
	c. Dairy	2000	28,760	15%	
	d. MSE sector	2000	41,240	30%	
	e. Title II Areas (in Ksh income per acre from basket of commodities)	2000	3,500	30%	
	2. Percentage increase in household's food needs that are generated on their own farms in Title II communities	2000	10%	30%	Cooperating sponsors and income proxy surveys
Intermediate Result 7.1: Increased productivity of targeted agribusiness sub-sectors	1. Increase in productivity of targeted agricultural commodities (in annual yield or per cow per day)				KARI Progress reports and Tegemeo surveys. Title II CS reports.
	a. Maize	2000	6.5 bags	10%	
	b. Dairy	2000	8.2 kg	30%	
	c. Horticulture	2000	8.1 tons	10%	
	d. Title II commodities (in Ksh income per acre from basket of commodities)	2000	350/acre	30%	
Intermediate Result 7.2: Increased agricultural trade	1. Increase in value of marketed agricultural production for both domestic and export trade (in billions of Ksh)				Economic Survey (CBS), GOK Ministry of Agriculture
	a. Maize	1999	3.098	10%	
	b. Dairy	1999	2.694	20%	
	c. Horticulture	1999	14.474	20%	
Intermediate Result 7.3: Increased access to business support services for micro- and small enterprises	1. Increase number of jobs created in the MSE sector, disaggregated by gender (in millions)				Economic surveys
	a. Males	1999	1.26	50%	
	b. Females	1999	1.14	50%	
	2. Increase in number of MSEs that have received credit and business development services				National surveys
	a. Credit	1999	10%	20%	
	b. Business development services	1999	7%	12%	
Intermediate Result 7.4: Increased effectiveness of smallholder organizations to provide business support services to their members and represent their business interests	1. Increase in the number of smallholder groups organizations in targeted sub-sectors reporting profitability	2001	TBD	TBD	Progress reports
	2. Increase in number of members of smallholder group organizations in targeted sub-sectors	2001	TBD	TBD	Progress reports

STRATEGIC OBJECTIVE 3: REDUCE FERTILITY AND THE RISK OF HIV/AIDS TRANSMISSION THROUGH SUSTAINABLE, INTEGRATED FAMILY PLANNING AND HEALTH SERVICES

USAID has supported activities in the population, health, and nutrition sector in Kenya for more than 25 years under a series of bilateral projects. Under the 1996-2000 Country Strategic Plan, USAID/Kenya and its partners made significant progress in the areas of fertility, HIV/AIDS, and the reform of the health sector. These gains are particularly commendable, given that SO3 funding levels between 1996 and 2001 were reduced from a 1993 to 1995 average of \$20 million annually to a level one-third less, despite increasing need for investments in both family planning and HIV/AIDS programs.

Family planning accomplishments

Between 1983 and 1998, the modern contraceptive prevalence rate (CPR) among married women more than tripled, from ten to 32 percent—one of the most rapid, sustained increases in the world. Among sub-Saharan African countries, only South Africa and Zimbabwe have higher CPRs. Due principally to this increase in use of contraception, the total fertility rate (TFR) has fallen dramatically over the past 20 years, from an estimated 8.1 to 4.7 children per woman between 1976 and 1998. This 40 percent decline in fertility helps to ease the pressures of population growth on Kenya's society, economy, and environment. At the individual level, Kenyan couples are now better able to achieve their desired family size.

HIV/AIDS accomplishments

While the epidemic continues to expand, there are signs that attitudes toward sexual and reproductive issues and behavior are changing. According to the 1998 Kenya Demographic and Health Survey (KDHS), nearly all women and men of reproductive age have heard of AIDS, and roughly 85 percent know at least one of the four important ways of avoiding infection. Among men, nearly 50 percent know that condoms can be used to avoid AIDS, up from 36 percent in 1993. Ninety percent of men report that they have changed their behavior in some manner to avoid AIDS, with 50 percent limiting sex to one partner, 20 percent using a condom, and 15 percent abstaining from sex. Among women, 77 percent report that they have changed their behavior, with 47 percent limiting sex to one partner, three percent using a condom, and 19 percent abstaining from sex. There is also finally sufficient high-level GOK support to encourage preventive measures.

Health care financing accomplishments

There have been marked increases in revenues generated through cost-sharing activities, growing from less than \$1 million per year in 1990 to more than \$10 million in 1999. This initiative has been critical to increasing the sustainability and improving the quality of public health services. It has also been a cornerstone of national health reform and has worked to devolve authority

and accountability in public health to the district level. This initiative has also supported the increased autonomy of the national referral hospital and the sustainability of health NGOs through “shared risk” insurance.

Importance of population and health sectors to the region

Kenya is the most important country in East and Central Africa to U.S. foreign policy interests. Positive or negative developments in Kenya have implications throughout the region. Kenya cannot fulfill its potential as the key economic actor in the region unless it can stabilize its population growth rate. If it fails, it will be to the detriment of the entire region. Likewise, health problems in Kenya have regional consequences. The spread of HIV/AIDS threatens to overwhelm Kenya’s health care system and negate economic and social gains. As economic interdependence in the region increases, and the speed at

which infectious diseases spread across borders increases, Kenya’s HIV/AIDS epidemic becomes a regional concern. On the positive side, health and population lessons learned through USAID investments in Kenya can be replicated throughout the region.

Contribution to USAID/Kenya Goal

This strategic objective, with its goal of reducing fertility and the risk of HIV/AIDS transmission, will support the Mission objectives of improved democracy and economic prosperity. At the individual level, lowering fertility will improve the health of women and children. At the national level, reduced fertility will reduce the rate of population growth (and resulting pressure on land and per capita GDP) and increase the health of the work force. Reducing the risk HIV/AIDS will address a national crisis now threatening all sectors in Kenya.

PROBLEM ANALYSIS

In spite of Mission achievements in the areas of health and population, major challenges remain. AIDS has become a tragedy of devastating proportions in Kenya. HIV prevalence among adults aged 15 to 49 has risen from 4.8 percent in 1990 to 13.9 percent in 1998. In addition, a quarter of married women in Kenya wish to stop childbearing or delay their next pregnancy but are not using family planning; under-five mortality rates have worsened in the 1990s; immunization rates have dropped; and infectious diseases such as malaria have resurged. There is still great need for continued USAID investment in the health sector.

Continuing need for family planning and other reproductive health services

Since 1980, the number of women of reproductive age has more than doubled. The size of the reproductive age population will continue to grow markedly in the years ahead, and the number of contraceptive users will need to grow by three percent each year just to maintain current contraceptive prevalence. In addition, despite the remarkable growth in family planning in Kenya, 24 percent of married women wish to limit or space their next birth but are not using contraceptives.

There are still large differences among provinces and districts. In Nyeri district, for example, 63 percent of all married women are using a modern method of contraception; this figure falls to just 9.5 percent in poorly served South Nyanza district near Lake Victoria. There is a clear need to expand access to quality family planning services and to provide information about these services, through a variety of channels.

This need is particularly true for young people. Twenty-six percent of Kenyans are between ten and 19 years of age. Many have

poor access to confidential, low-cost reproductive health services. There are also legal and informal restrictions on family planning and disease prevention education, on service provision, and on care. One result is that almost half of all births to women under age 20 were either wanted later or not at all.

In terms of the need for improved information and services to youth, the realities of the HIV epidemic present an unprecedented opportunity to frame the public debate on adolescent reproductive health. Improvements in both policies and program interventions could provide Kenyan youth—both in and out of school—with the information and motivation they need to make responsible decisions about sexual behavior and how to protect themselves from unwanted pregnancies, HIV, and other sexually transmitted infections (STIs).

Expanding HIV/AIDS epidemic

The Ministry of Health's national surveillance system found that HIV/AIDS prevalence among adults increased from five percent in 1990 to over 13 percent in 1998 in Kenya. In almost all sentinel surveillance sites, HIV prevalence continues to rise. In Kisumu district over a quarter of all adults are infected. HIV infection is most common among young adults, with girls and young women at greatest risk. This is a particularly difficult group to reach because most health systems are oriented toward adult clients, and conservative religious groups often resist efforts to provide condoms and other contraceptives to youth. Growing numbers of people each year enter reproductive age and are exposed to the risk of infection.

The economy is being severely affected by HIV/AIDS because infection rates are highest among young, productive members of society. In an already difficult economic situation, HIV/AIDS is cutting into the productivity and profitability of commercial

firms. The skill base of companies is being eroded, as workers fall ill or take time off to care for sick relations and attend funerals. By 2005, per capita income is projected to be reduced by at least ten percent as a result of HIV/AIDS. The burden of care for those affected by HIV/AIDS is increasingly devastating for individuals, families, and communities. The increasing numbers of new HIV infections, AIDS cases, and orphans and other vulnerable children are overwhelming the immediate and extended family, the health care infrastructure, and social support services.

Given traditional division of labor, the burden of providing care to sick family members and orphans due to HIV/AIDS is being disproportionately placed on women and girls. This adversely affects their education and income, as well as their health and sense of well-being.

Strategies and programs must respond to changing needs as the epidemic matures. Tuberculosis, for example, has become a leading cause of death among HIV-positive people. The current response to the AIDS epidemic, however, is not well coordinated or multisectoral. Knowledge about AIDS must be increased and translated into improved sexual behavior.

Child mortality increases

The 1998 Kenya Demographic and Health Survey (KDHS) and other recent surveys indicate a worsening of child mortality rates during the 1990s, reversing decades of steady improvement. Between 1989 and 1998, under-five mortality rates increased by 25 percent. These reversals are most dramatic in Nyanza Province, but there are equally substantial increases in Eastern and Rift Valley Provinces. Of every 1,000 children born in Nyanza Province, 199 die before their fifth birthday. This figure is 33 out of 1,000 in Central Province. These increases are primarily due to the expanding HIV/AIDS epidemic combined with malaria and childhood diseases. Improving case management skills of health workers and the health-care-seeking behavior of families is essential.

Increased demands on health care system

The continued growth of the reproductive age population in Kenya, combined with increasing HIV prevalence and child morbidity, assures that demands on the health care system in Kenya will grow rapidly in the years ahead. The health needs of Kenya's one million AIDS orphans are an additional burden for the health system. Further, the negative impact of HIV/AIDS on health care expenditures is a widely recognized problem in Kenya, since as many as 70 percent of hospital admissions are reported to be HIV-positive.

Experience with public sector health care financing and social marketing indicates that when services are available at affordable prices, Kenyans are willing to pay for health care. Public sector health care resources from the GOK budget are not increasing; if services are to keep up with demand, it is essential to build and strengthen cost-recovery systems, and expand services through private sector providers. Further, organizational structures for effective policy formulation, resource management, and controls within the system are weak. This results in misallocation of resources and poor performance at the operational levels of the public sector.

Population growth, conflict, and crises

High rates of population growth and HIV infection are potential causes of political and social conflict. Kenya's population growth rate of 2.2 percent per year causes excessive pressure on natural resources, housing, arable land, education, and health services. Fifty percent of Kenya's 30 million people are under 15 years of age, creating a high dependency burden on the adult population. In addition, over 13 percent of Kenya's adult population are HIV positive, eroding economic growth, the social fabric, and health and social services.

The linkages among men, violence, and the spread of HIV/AIDS worldwide have been documented. Growing unemployment, decreasing incomes, food shortages, and other negative trends exacerbated by HIV/AIDS have increased the level of

violence by men against women and girls within and outside of the family.

The Mission believes that its health sector programs will do much to mitigate the risk of conflict through efforts to deliver safe, effective, and voluntary family planning and reproductive health services. Fertility reduction efforts—through expansion of voluntary family planning services—have resulted in a decrease in Kenya's high growth rate, from four percent in the early 1970s to 2.2 percent at present. More aggressive, targeted HIV/AIDS programs, combining a variety of prevention and behavioral change interventions and including treatment of STDs, have begun. HIV/AIDS education and prevention programs, targeted at high-risk groups and youth, will reduce the risk of illness and death among the most productive members of society. Care and support programs will help to mitigate social conflict caused by the disintegration of the family and the increasing number of orphaned children. Both family planning and HIV/AIDS programs seek to enhance the empowerment of women by giving them the information and the means to maintain and improve their reproductive health.

Gender issues

Kenya's National Population Policy recognizes the existence of gender disparities. Women's participation in education, government, and the formal sector of the economy remains low. Social and cultural practices continue to enforce these patterns, preventing women from achieving their full potential. Although gender roles are learned from families and communities and vary by culture and generation, health and population programs are improving gender equality and

equity. The government of Kenya has endorsed the *Program of Action* of the 1994 Cairo Conference, including the objective of equality and equity based on a harmonious partnership between men and women. Kenyan women are generally better informed and more able to control aspects of their lives than in the past. For example, through media, community outreach workers, and other sources, virtually every Kenyan woman knows about contraception and can articulate her fertility desires.

Much remains to be done to resolve gender issues in health. Young women do not have the same access to reproductive health information that older women do. The quality of services given to women needs to be improved, including addressing problems of hormonal contraceptive side effects and provider biases. Women need to have better interpersonal communications skills, which may encourage use of female controlled or initiated contraceptives to help reduce their risk of HIV infection and unwanted pregnancy.

Men are also integral to reducing fertility and the transmission of HIV/AIDS and other STDs. The differences between men's and women's behaviors and attitudes—towards pregnancy, early marriage, the transmission of STDs, and other related issues—need to be recognized. Positive behavior by men needs to be encouraged to promote the well-being and health of men, women, and families. This is especially true in efforts to combat AIDS.

Kenyan women generally live longer and healthier lives than did their mothers, but gains are endangered by the HIV/AIDS epidemic, increasing demands on a weak health system, and the overall social and economic problems of the country.

CONSULTATION & COLLABORATION

CONSULTATIVE PROCESS

Planning process

USAID/Kenya developed the health and population strategy through a process that incorporated input from numerous sources. The overall policy context was taken from the Agency Strategic Plan, the GHAI Strategic Plan, and the U.S. Embassy Nairobi's Mission Performance Plan (MPP). Together, these three plans implement the U.S. Strategic Plan for International Affairs that has health and population goals to "stabilize world population" and "protect human health and reduce the spread of infectious diseases." The government of Kenya's Interim Poverty Reduction Strategy Paper and its Health Sector Strategic Plan articulate Kenyan national priorities.

Consultations with various partners and reviews of individual programs were carried out, as discussed below. Consultations with USG agencies operating in the health and population sector ensured that an integrated approach to the planning process was taken. Meetings with other donors ensured that approaches were coordinated, thereby minimizing program gaps and duplication. Customers at all levels, from families in rural and urban areas to nurse-midwives and senior government officials, were consulted throughout this process.

Consultative process

USAID/Kenya's development of a new health strategy within its ISP framework has involved intensive consultation and collaboration with customers, partners, and stakeholders. The process began in 1998 and has continued to the present. Major consultative activities include the following:

National household-level survey

The 1998 Kenya Demographic and Health Survey was funded largely by USAID, with

contributions from the UK's DFID and the UN Population Fund (UNFPA). This survey provided extensive health and socioeconomic data from 9,465 households, including 7,881 women and 3,407 men aged 15 to 49, from six of Kenya's seven provinces. Eighty percent of households interviewed were in rural areas, reflecting the demographics of the rural versus urban population in Kenya. These respondents answered detailed questions on fertility preferences, health-care-seeking behavior, childhood health (including immunization, illnesses, and treatment), and HIV/AIDS knowledge, attitudes and behavior. The responses from over 11,000 customers have provided key input and direction into the Mission's new ISP, and to areas to be emphasized under SO3.

Collaborative HIV/AIDS strategy development

In May 1998, the Mission fielded a large team of Kenyan and U.S. consultants to design a five-year HIV/AIDS strategy. The team included technical experts and representatives from stakeholder groups directly affected by HIV/AIDS, including professionals who were HIV positive. Staff from the Global Bureau/PHN, AFR/SD, REDSO/ESA, and the Centers for Disease Control and Prevention (CDC) also participated. The team used a combination of focus group discussions, field trips, and meetings to interview customers, GOK and NGO partners, cooperating agencies, businesses, professional associations, and other groups to develop a long-term strategy to address HIV/AIDS in Kenya. One notable outcome was the development of new activities to mitigate the effects of HIV/AIDS on families and children. (This strategy is being implemented through several partners, and is incorporated in this ISP.)

Participatory project evaluation

In May 1999, a multinational team of 25 experts conducted a mid-term review of the Mission's five-year bilateral health and population project. The review team included the entire SO3 team, staff from USAID/Kenya Controller's Office, four REDSO/ESA staff members, three staff from USAID/Washington, a representative from the European Union, and the deputy head of the Division of Primary Health Care in the MOH. The team contacted nearly 300 partners and stakeholders. Extensive field travel and interviews with district and provincial-level GOK officials, NGOs, central headquarters staff, and a variety of implementing agencies and customers provided the basis for revised approaches under this ISP. Two major stakeholder meetings were organized to obtain input at the beginning of the mid-term review process and to disseminate results at the end of the process.

Individual program assessments*AVSC Kenya Program Evaluation, April 1999.*

This evaluation focused on SO3 support to increase access to permanent and long-term family planning methods and to build capacity for the provision and maintenance of high quality services. It was jointly conducted by the Kenya office of AVSC (a U.S.-based PVO), the Mission, and the Ministry of Health, and included interviews with stakeholders, family planning clients, and hospital staff.

A Supplemental Report on Community Mobilization and Microfinance Services as HIV/AIDS Mitigation Tools, May 1999

This report was produced in conjunction with the following report. It was intended to explore the key issues of how to begin and sustain using microfinance organizations and techniques.

Children Affected by HIV/AIDS in Kenya: An Overview of Issues and Action to Strengthen Community Care and Support, August 1999

This was a situation analysis of children's welfare in Kenya. It described how HIV/AIDS contributes to the vulnerability of orphans and other children, and recom-

mended ways for USAID, and other donors to provide effective responses. USAID/Kenya, the UN Children's Fund (UNICEF), and G/PHN staff jointly conducted the assessment.

Building a Multisectoral Response: Follow-up Assessment of Programming for Children and Families Affected by HIV/AIDS in Kenya, November 1999

This consultation was undertaken to help the Mission prioritize the recommendations of the earlier orphans and community mobilization assessment. It proposes scenarios to help SO3 and SO7 begin a joint microfinance and HIV/AIDS activity.

Social Marketing Assessment, February 2000

This assessment was a joint DFID/USAID donor effort to review progress to date in social marketing of *TRUST* brand condoms, and to define new strategies for both donors over the next five years. Intensive consultations and field visits were carried out, and donors, GOK staff, vendors, and distributors were interviewed. Both USAID and DFID will use these results to develop a joint program of assistance in social marketing.

Training and Supervision Assessment, March 2000

This was a joint MOH/USAID effort to develop a new strategy for reproductive health training and supervision. Local-level health care providers and other donors were involved, and the assessment will help to define USAID/Kenya's support (under Intermediate Result 3.1) in this area over the course of the ISP.

Other USG agency activities in health and population

Several USG agencies working in Kenya address health and population goals. Funding for these activities comes from a number of sources. USAID/Kenya receives Agency funding for bilateral and global programs in health and population. Other USG agencies have similar funding sources. Efforts to unify USG support for the fight against HIV/AIDS is demonstrated in the Leadership and Investment in Fighting an Epidemic (LIFE) Initiative. Developed by the White House Office of National AIDS Policy in

1999, the LIFE Initiative supports strong partnerships among several U.S. government agencies, including USAID and the Departments of Defense and Health and Human Services.

USAID has been the lead donor to Kenya's population and family planning program since the early 1970s. Mission assistance has been critical to supporting Kenya's demographic transition and its rapid fertility decline. Similarly, in the fight against HIV/AIDS and Kenya's health sector reform efforts, USAID wields extensive influence. The Mission proposes to remain heavily involved in these areas, which are critical to improving the quality of Kenyans' lives and the productivity of their labor.

The CDC has sponsored projects in Kenya for nearly 20 years. In the past, these projects have focused on bio-medical research, especially in malaria. Using LIFE Initiative funds, the CDC will be expanding its HIV/AIDS activities in Kenya in close collaboration with USAID/Kenya. This expansion will build on previous CDC work on HIV transmission in Kisumu and assistance in the evaluation of blood safety issues. New activities may include surveillance, voluntary counseling and testing, preventing mother-to-child transmission, and tuberculosis prevention and control. The CDC believes these activities will complement and reinforce USAID's efforts.

Other Country Team involvement:

- Diplomatic dialogue by the Ambassador and others to press the GOK to publicly recognize the full dimensions of the HIV/AIDS crisis and to devote increasing political will and financial resources to the battle against the killer disease.
- The Peace Corps recently decided to integrate HIV/AIDS prevention into its volunteer training program. USAID will work with the Peace Corps to see where their AIDS information programs can complement USAID prevention efforts.
- The U.S. Army Medical Research Unit (MRU) works with Kenya Medical Research Institute (KEMRI) and other agencies to develop a malaria vaccine and to conduct research into other infectious diseases.
- REDSO/ESA is working with USAID on areas of regional collaboration and cross-border HIV/AIDS prevention, care, and support efforts. Sub-regional activities will be explored and developed.
- Title II programs and Bureau for Humanitarian Response/Office of Private and Voluntary Cooperation (BHR/PVC) grants support child survival activities. Title II typically works with PVOs such as CARE, CRS, World Vision, and Food for the Hungry International, operating in poorly served areas of Kenya such as the drought-prone districts in northern and northeastern Kenya. BHR/PVO child survival grants have been awarded to CARE and PLAN International to support activities in western Kenya and on the Coast.

CUSTOMERS

The objective of the consultative planning process was to ensure that SO3 activities address the needs of USAID/Kenya customers. These include the people of Kenya who are the ultimate beneficiaries of programs, intermediate beneficiaries (such as service providers and policy makers), development partners, and stakeholders.

The primary beneficiaries or end-users of USAID/Kenya's population and health program are Kenya's 14.8 million men and

women of reproductive age and 4.8 million children under five years of age.

Other customers include the Ministry of Health, other GOK agencies, local and international NGOs and private voluntary organizations, cooperating agencies, and contractors. Stakeholders include other donors, USAID/Washington, and its overseas missions, U.S. taxpayers, and the U.S. Congress.

OTHER DEVELOPMENT PARTNERS

Support from other agencies and donors

Overall donor support to Kenya, including to the health sector, has gradually declined over the past seven years, due to dissatisfaction with Kenya's progress on governance and economic reforms. The International Monetary Fund's Enhanced Structural Adjustment Facility (ESAF) was suspended between 1997 and 2000, and Danish funding was suspended during 1999. As part of its efforts to refocus its development assistance in priority countries, the Netherlands government recently reduced assistance to Kenya. Other donors remain on a limited funding status. For example, the United Kingdom is currently reviewing its "low case" scenario. Resumption of aid at higher levels has been re-instituted with the approval of a poverty reduction and growth facility (PRGF), successor to the ESAF.

Channels for donor financing in health have also changed. Due to the difficulties of tracking donor funds through the public sector, particularly at the national level, donor support has shifted toward NGOs or toward district-level activities. Although this shift is consistent with the GOK's privatization and decentralization policies in the health sector, donor financing for national programs, such as health training, has been negatively affected.

Because of cuts in funding by other donors, USAID/Kenya must plan conservatively in terms of the partnerships it can expect to develop with other donors. However, reproductive health programs, particularly family planning and HIV/AIDS, are supported by several other development partners, including the United Kingdom (through DFID), the European Union, Canada, Sweden, Belgium, and Finland. Multilateral agencies, such as the UN Population Fund (UNFPA) and the World Bank, provide substantial support. The Danish International Development Agency (DANIDA), DFID, and the World Bank have also supported large programs in the area of institutional management capacity-building that complement SO3 assistance in the area of health care financing.

Despite static or even declining donor financing in health, there is room for collaboration and joint programming of activities. USAID/Kenya will continue its successful joint social marketing efforts with DFID, and a second U.S.-Japan Common Agenda activity focused on HIV/AIDS is envisaged. USAID technical assistance, notably in logistics, is considered essential to other donor commodity support programs.

The government of Kenya

The GOK's financial contributions to the sector have shrunk in recent years, due in large part to overall economic stress. Nevertheless, the MOH must improve its management structures and decision-making capacity if it is to effectively implement policy change. Although USAID enjoys good working relationships with GOK health managers, the MOH is frequently handicapped in being able to implement policies that are critical to achievement of USAID objectives. IR3.1, which is focused on improving the enabling environment, is intended to strengthen the GOK's capacity to initiate institutional changes and guide health sector development.

Customers as development partners

The commitment and capacity of customers to be active partners in health service provisions such as those targeted in SO3 is extremely weak. Consumers, especially women, lack awareness about their rights and responsibilities when seeking health care and, although this is gradually changing, tend to be passive recipients of health services. Community-financed and managed health services are increasing, and user fee programs in both the public and private sector have begun to foster better understanding among the paying public about what should be expected from the care provider. SO3 will assist in building the capacity of customers to be active partners in health sector programs through health information campaigns and demand creation, through community fora, and through development of community advocacy to promote policy changes.

RESULTS TO BE ACHIEVED

THE STRATEGIC OBJECTIVE

Strategic Objective 3:
Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services

Need for new approaches

USAID's Strategic Objective 3 fully supports the government of Kenya's health sector vision, which is to create an enabling environment for the provision of sustainable quality health care that is acceptable, affordable and accessible to all Kenyans. For over 25 years, USAID has supported health and population activities in Kenya by providing technical leadership in the areas of family planning, HIV/AIDS, and health care financing. In the area of child survival, USAID has provided supportive interventions in selected districts and technical areas such as malaria, immunization and policy reform.

During the ISP planning process described above, new emphases (as well as a renewed commitment to family planning) were developed under Strategic Objective 3. These include:

A recognition of HIV/AIDS as a multisectoral crisis

Kenya's Interim Poverty Reduction Strategy Paper identifies HIV/AIDS as a national disaster, and the creation of the National AIDS Control Council in the Office of the President shows that the GOK no longer views HIV/AIDS as simply a health problem. USAID/Kenya must do more to ensure that colleagues within the non-health sectors in Kenya—such as agriculture, education, democracy and governance, and microenterprise—understand the potential linkages and do more to intentionally create opportunities to work together.

Late in the process of developing this ISP it was learned that, due to Congressional concerns over the HIV/AIDS pandemic, USAID may receive significant increases in HIV/AIDS, tuberculosis and malaria funds in FY2001 and subsequent years. This could translate into important additional funding for Kenya. Due to the tentative nature of this funding, the Mission could not include those expanded focuses in this ISP. The Mission has, however, discussed the implications of this "Plus-Up" in the following sections. Should these funds materialize, the Mission will undertake extensive consultations with the government of Kenya and other partners and stakeholders to develop a plan.

Better integration of HIV/AIDS services

There is growing evidence that controlling sexually transmitted infections (STIs) can significantly reduce the incidence of HIV/AIDS. Thus, providing STI services to family planning, maternal, and child health clients (FP/MCH) appears to be a sensible and cost-effective strategy in a context where large proportions of the population may be infected or are at risk of being infected with an STI. These activities can often be added at a low marginal cost, promote synergy, and complement other efforts to prevent transmission of STI/HIV.

Integrated private sector programs in targeted geographic areas

The government of Kenya policy articulated in the National Health Sector Strategic Plan (1999-2004) emphasizes decentralizing healthcare services and strengthening and expanding the role of NGOs and the private sector. Increasingly, USAID and other donors are implementing activities directly with local NGOs and public sector authorities in selected geographic areas to ensure community consensus, build NGO and public-sector capacity and improve financial and technical accountability.

USAID's new service delivery programs should include family planning, HIV/AIDS, and child survival services, delivered at both the clinic and community level in selected areas.

Recognition of the need for behavior change and positive health-care-seeking behavior

Knowledge of family planning and HIV/AIDS is very high among Kenyans. However, this knowledge is often highly superficial and may not reflect an understanding of the personal risk of disease or unwanted pregnancy. Positive behavior change concerning health promoting and health-care-seeking behavior is still lacking. Better behavior change communications (BCC) approaches, both within and outside of clinic settings, are required. In addition to mass media, interpersonal communication and community-based messages are necessary to create informed demand for health services, especially among youth.

Giving young people priority attention

Twenty-six percent of the Kenyan population is between the ages of ten and 19 years of age. Many have poor access to confidential, low cost reproductive health services, since there are informal restrictions on disease prevention education, service provision and care. The realities of the HIV epidemic present an unprecedented opportunity to frame the public debate on adolescent reproductive health. Improvements in both policies and program interventions could provide Kenyan youth with the information and motivation they need to make responsible decisions about sexual behavior and how to protect themselves from HIV/STI infection.

Enhanced efforts to strengthen the policy environment and manage sector resources

USAID/Kenya should support the development of an institutional framework and capacity for policy analysis, formulation, and implementation at the national level. This should include support for data collection efforts that inform policy and advocacy activities aimed at strengthening political and other support for family planning, reproductive health, child survival and AIDS policy issues. In addition to having better policies in place, efficiency in the management of health sector resources must be improved. Increasing efficiency in the management of health sector

resources will require improved management of the national cost-sharing program, joint GOK/donor planning, rationalized budgeting at central and decentralized levels, and an increase in complementary donor financing.

Convergence with GHAI objectives

SO3 contributes to the GHAI goal of a food secure, just and peaceful region by strengthening Kenya, the linchpin of the region, and by demonstrating tested solutions to health and population problems to the entire region. The extensive consultations and the ongoing collaboration with Kenyan customers, partners, and stakeholders during the ISP planning process shows a commitment to African ownership and leadership. Strategic coordination is being achieved through ongoing working relationships between Kenyan partners, USG agencies working in these sectors, and other development partners. The close links between SO3 staff and REDSO/ESA's Health, Population, and Nutrition office ensures a regional perspective and communication with other countries in the region.

GHAI SO1 Strengthened African capacity to enhance regional food security

The Mission's SO3 population and health program contributes to this objective by addressing one of the root causes of food insecurity as identified in the GHAI Strategic Plan—population growth. Regional population growth rates now average 2.9 percent, in some cases exceeding the carrying capacity of the land. Due to a very successful family planning program, this rate has fallen to 2.2 percent in Kenya with potential lessons from Kenya that will be applicable throughout the region.

SO3 directly contributes to GHAI's IR1.5, "Enhanced African capacity to implement household level nutrition and other child survival interventions." USAID/Kenya has supported regional and AID/W-funded initiatives on food security and nutrition. Studies have identified stunting, Vitamin A deficiency, and protein-energy malnutrition as problems in Kenya and in the region. As part of the Inter-Agencies Coordinating Committee for National Immunization Days (NIDs), the Mission contributed to the decision to administer Vitamin A supplements with the polio vaccine during the 1999 NID in Kenya.

Mission staff have participated in regional food and nutrition seminars and encouraged government of Kenya staff to participate in regional food security and nutrition activities. USAID/Kenya participated in a USAID/W study on the potential role of food aid for AIDS mitigation in East Africa. The Mission will explore participation in a pilot activity combining Title II food aid with HIV prevention activities in FY2001 and beyond. Finally, the Program for Appropriate Technology in Health (PATH/Kenya), a local NGO with strong USAID linkages, is undertaking a study on community-based nutrition activities. Lessons learned from this Kenyan experience will be disseminated throughout the region.

GHAI SO7 Strengthened African capacity to prevent, mitigate, and respond to conflict in the GHAI region

The Mission believes that its health sector programs will do much to mitigate the risk of conflict caused by population pressures through efforts to deliver safe, effective, and voluntary family planning and reproductive health services. SO3 programs: strengthen health care infrastructure and improve quality of care; increase access to reproductive health services, especially for youth and young adults who are at particular risk of unplanned pregnancies and HIV/AIDS; increase availability of condoms and AIDS prevention messages designed to promote positive behavior change; and assist families and children affected by HIV/AIDS through community-based care and support programs. SO3 efforts have lowered Kenya's high rate of population growth over the past 20 years—from four percent in the late 1970s to 2.2 percent in 1999. More aggressive, targeted HIV/AIDS programs have begun, which combine a variety of prevention and behavioral change interventions, including treatment of sexually transmitted diseases (STDs). HIV/AIDS education and prevention programs targeted at high risk groups and youth will reduce the risk of illness and death among the most productive members of society. Care and support programs will help to mitigate social conflict caused by the disintegration of the family and increased orphanage of children. Both family planning and HIV/AIDS programs seek to enhance the empowerment of women by giving them the information and the means

information and the means to maintain and improve their reproductive health.

GHAI SO3 Improved access to regional analytical information

USAID/Kenya has shared information on a regional basis that has resulted in the transfer of technology, program applications, and information to other countries within the region.

A key contribution of the population and health program is in the area of logistics management technology. Kenya's contraceptive logistics support to the Ministry of Health has been of great interest to other countries in the region and is seen as a model logistic management system. REDSO/ESA has promoted the Regional Logistics Initiative, which has provided technical assistance from the Kenya program to other countries. It has also initiated a course on logistics management, taught from the Regional Center for the Quality of Health care at Makerere University, using lessons and staff from Kenya. This course is offered to participants throughout Africa.

The Kenya cost-sharing program is seen as a model for the region. Through REDSO's Regional Health Network, lessons learned in Kenya are shared with collaborating countries including Uganda, Ethiopia, and Tanzania. The Regional Health Network supports study tours to hospitals in the region where cost-sharing is being practiced.

Key USAID/Kenya-supported collaborating agencies have played an important role in sharing information at regional conferences and seminars. At a recent REDSO conference on quality of care, implementing partners gave presentations on a number of "better practices" including malaria in pregnancy and recognition and control of malaria-associated anemia in children.

Convergence with USG objectives

The Mission Performance Plan (MPP), unifying all USG activities in Kenya, states that "major development programs in Kenya to promote improved family planning, to prevent sexually transmitted diseases, and to prevent continued environmental degradation are motivated above all else by our desire to see the Kenyan economy grow and meet the needs of its people." The MPP has a population goal

(to “reduce Kenya’s total fertility rate through sustainable, integrated family planning and health services...”) and a health goal (to “reduce risk of transmission of HIV/AIDS, malaria, and other infectious diseases...”). USAID/Kenya is the prime implementer of interventions in this sector, and SO3 is in total agreement with these MPP goals.

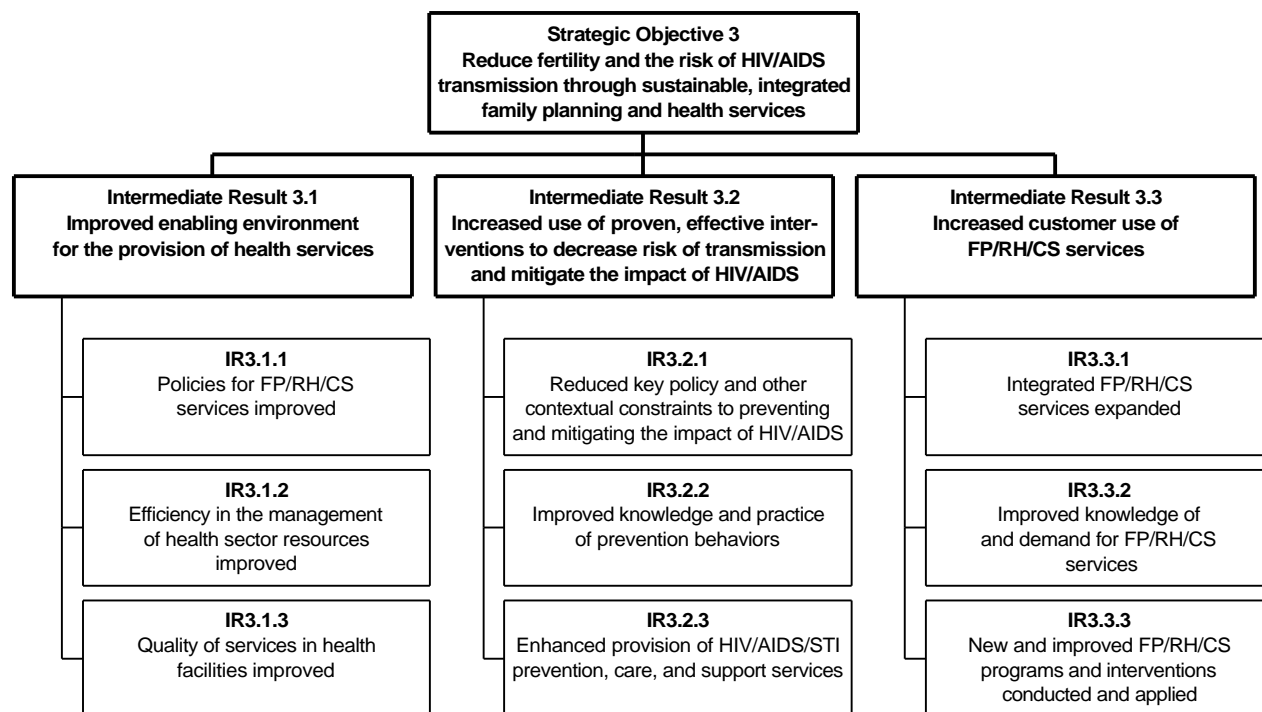
Convergence with GOK objectives

The government of Kenya’s development goals are set forth in the *National Development Plan 1999-2005*, the *National Poverty Eradication Plan 2000-2003*, and the *Interim Poverty Reduction Strategy Paper 2000-2003* (I-PRSP). The I-PRSP is the most recent articulation of GOK goals. It declares AIDS a national disaster and calls for comprehensive reform of the public health sector. It emphasizes the importance of increasing contraceptive prevalence to reduce the annual population growth rate from the current 2.2 to 2.0 percent in the medium term and 1.7 percent in the long term. SO3 objectives are in total convergence with GOK objectives in the health and population sectors and the program has been thoroughly vetted with the GOK.

RESULTS FRAMEWORK

Three high-level intermediate results (IRs) and nine lower-level IRs will contribute to the accomplishment of this objective. These are shown in the results framework, below, and are followed by a discussion of the causal relationships between the high-level IRs and the logic linking lower-level results

to high-level results. Key elements of family planning (FP), reproductive health (RH), and child survival (CS) are integrated with activities dealing with HIV/AIDS and other sexually transmitted infections (STIs).



ASSUMPTIONS AND CAUSAL RELATIONSHIPS

Assumptions

The most important assumption underlying SO3 planning for this ISP period is that funding will be available at the parameter control level or higher during the next five years. (See Part III, Resource Requirements.) Without adequate funding, defined as a minimum of \$15 million per year, it is unlikely that a substantial impact can be made in the reproductive health area—especially HIV/AIDS—or in other public health focus areas, including child survival. This ISP is predicated on the assumption that funding levels, which are still substantially below levels of the mid-1990s, will be sustained.

Conversely, several assumptions will have to be made if HIV/AIDS funding is dramatically increased. To program and manage the \$15 million being discussed, additional staff—in SO3 and throughout the Mission—will be required. Special efforts will be needed to ensure that focus on other important areas such as family planning is not lost. It is also assumed that as USAID and other donors scale up their HIV/AIDS funding, qualified Kenyan counterparts in the public and private sectors will be available.

Another major assumption is that certain key donors (e.g., the UK's DFID), will continue to provide complementary support to joint programming ventures with USAID. Funds from other donors are critical to ensuring the success of HIV/AIDS and other activities, as is donor commitment to institutional capacity-building.

The GOK is an important partner contributing to the success of this strategic objective. USAID/Kenya assumes that the GOK will remain a committed and supportive partner in the population and health sector. Dedicated and committed leadership at the sector level is crucial to SO3's success. Underlying this strategy is an assumption that the quality of leadership in the MOH will remain at its current high standard.

Many ISP activities—especially in the HIV/AIDS area—are dependent upon an environment that promotes freedom of information to people of all ages. This ISP assumes that there will be continued support

from the GOK for freedom of advertising in various media, and for the institution of family life education in the schools. These policies will be key to ensuring that SO3 can undertake the kind of behavior change interventions now needed to help people understand and internalize life-saving messages.

An assumption influencing customer demand for family planning is that the economy will not dramatically deteriorate and that child survival will improve. Otherwise, there could be an increase in the desire for additional children and a subsequent increase in fertility among some groups.

Causal relationships

Several causal relationships among the elements of SO3 are illustrated in the results framework.

When the elements of IR3.1 are implemented, an environment facilitating the accomplishment of both IR3.2 and IR3.3 will be created. Improving policies, making the management of health sector resources more efficient, and improving training, supervision, and logistics systems will all help provide this environment.

IR3.2 seeks to reduce constraints to implementing HIV/AIDS activities, promote risk-reducing behavior, increase demand for services, and supply these services. When IR3.2 is implemented—in the context of the environment created by IR3.1—it is expected that people will be at lower risk of infection, and that those already infected will be better supported.

IR3.3 will expand the availability of integrated FP/RH/CS services, especially in targeted geographic areas, and improve service delivery programs through applied research. It will also increase the demand for these services through community-level and interpersonal communications and through mass media campaigns. Together, increasing access and demand should increase customer use of these services. Finally, as SO3 succeeds in achieving the goals of IR3.2 and IR3.3, working in the environment created by IR3.1, the strategic objective of reducing fertility and the risk of HIV/AIDS transmission will have been achieved.

INTERMEDIATE RESULTS

Intermediate Result 3.1 Improved enabling environment for the provision of health services

As a result of IR3.1, service providers and managers at all levels will have the policy and regulatory guidance, resources, and resource management skills to provide quality reproductive and child health services and care. The Ministry of Health—whose core function is to provide or enable the provision of health sector services—will supply the overall guidance, training opportunities, supervision, and policy direction to ensure quality service delivery in both the public and private sectors. The enabling environment will include standardized treatment protocols, trained personnel with good supervisory support, financial and management resources, and management controls. In order to realize IR3.1, three lower-level results must be achieved. Results are geared to parameter control level funding; more would be achieved at the higher Mission request level.

IR3.1.1 Policies for FP/RH/CS services improved

Improved policies will support the development of an institutional framework and capacity for policy analysis, formulation, and implementation at the national level. USAID/Kenya will support data collection efforts that inform policy and will undertake advocacy activities aimed at strengthening political and other support for FP/RH/CS and AIDS policy issues.

IR3.1.2 Efficiency in the management of health sector resources improved

In addition to having better policies in place, efficiency in the management of health sector resources must be improved. Increasing efficiency in the management of health sector resources will require improved management of the national cost-sharing program, joint GOK/donor planning, rationalized budgeting at central and decentralized levels, and an increase in complementary donor financing.

IR3.1.3 Quality of services in health facilities improved

And finally, the quality of services provided in health facilities must be improved. This will require a comprehensive package of technical support activities targeted to key public and private health facilities. It will require institutionalized reproductive health logistics capacity and improved health training and supervision systems.

Intermediate Result 3.2 Increased use of proven, effective interventions to decrease risk of transmission and mitigate the impact of HIV/AIDS

USAID/Kenya's response to the HIV/AIDS epidemic will be both effective and sustainable. Policies to help prevent and mitigate the HIV/AIDS epidemic will be enacted. Social and cultural constraints to preventing HIV/AIDS will be reduced. Knowledge and practice of preventive behaviors will be widespread, especially among young people. Communities, health facilities, and workplaces will put effective programs in place to both prevent HIV infection and mitigate its impacts. Increased funding—whether at the Mission request level or the significantly higher level being discussed—would permit strengthening of the activities shown below.

When the elements of IR3.2 are implemented—in the context of the environment created by IR3.1—people should be at lower risk of infection, and those already infected should be better supported. To realize IR3.2, three lower-level results must be achieved.

IR3.2.1 Reduced key policy and other contextual constraints to preventing and mitigating the impact of HIV/AIDS

First, key policy and other contextual constraints to preventing and mitigating the impact of HIV/AIDS must be reduced. This will entail policymakers effectively advocating to decrease social, economic, cultural, and health impacts of HIV/AIDS; enhanced ability of networking groups to mobilize communities to prevent and mitigate the impact of HIV/AIDS; and surveillance data which can inform the advocacy process.

IR3.2.2 Improved knowledge and practice of preventive behaviors

Second, individuals' knowledge and practice of preventive behaviors must be improved. The Mission's HIV/AIDS strategy design team noted in 1998 that "behavior change interventions are abundant, fragmented, provide inconsistent messages, are not strategic and...have not been shown to be effective." In addition, "rural areas are neglected; there is negative media publicity from a vocal minority; materials distribution at the field level is problematic; and the capacity to develop effective behavior change interventions in both the public and NGO sectors is lacking." These are discouraging conclusions. Therefore, an integrated approach to behavior change interventions is necessary. Close collaboration among cooperating agencies undertaking behavior change interventions will be mandated in all SO3 IRs.

IR3.2.3 Enhanced provision of HIV/AIDS/STI prevention, care, and support services

Third, there must be enhanced provision of HIV/AIDS/STI prevention, care, and support services. Since more than 90 percent of HIV infections are transmitted sexually, prevention will remain a priority. This requires working with communities, workplaces, and service delivery sites to deliver appropriate services and programs, including voluntary counseling and testing.

Intermediate Result 3.3 Increased customer use of FP/RH/CS services

IR3.3 will expand the availability of integrated family planning, reproductive health, and child survival services, especially in targeted geographic areas, and improve service delivery programs through applied research. It will also increase the demand for these services through community-level and interpersonal communications and through mass media campaigns. Increasing access and demand should increase customer use of these services. The Mission has identified three lower-level

results necessary to achieving IR3.3.1. If funding at the Mission request level is available, these activities could be intensified and expanded to additional geographic areas.

IR3.3.1 Integrated FP/RH/CS services expanded

Increasing customer use begins with the expansion of integrated FP/RH/CS services. IR3.3.1 will primarily be implemented by a consortium of NGOs working in selected geographic areas. Using their health facilities as "centers of excellence", these NGOs will work with public sector and private sector providers to increase the availability of services to the community.

IR3.3.2 Improved knowledge of and demand for FP/RH/CS services

It is generally accepted that the availability of more services will not by itself result in greater use of those services. The targeted users of those services must not only know of their existence but must also want those services. Demand creation activities will include both national level mass media activities and community level communications activities. These will be linked with each other, and with the supply side activities of IR3.1.

IR3.3.3 New and improved FP/RH/CS programs and interventions conducted and applied

Finally, it is essential that efforts to develop and apply new and improved FP/RH/CS programs and interventions be undertaken. These programs and interventions currently include pilot postabortion care programs, and the strengthening of integrated management of childhood illnesses (IMCI) in selected areas including childhood ailments of diarrhea, malaria, acute respiratory infections (ARIs), measles, anemia, and malnutrition. Important elements of IMCI include improving the case management and counseling skills of health workers, and improving community practices through behavior change strategies and the training of caretakers in early recognition and treatment of childhood illnesses.

ILLUSTRATIVE APPROACHES

Intermediate Result 3.1 Improved enabling environment for the provision of health services

IR3.1.1 Policies for FP/RH/CS services improved

Activities will include the following:

- Supporting national data collection and dissemination. USAID, in collaboration with other donors, will support national data collection activities such as the census, the fourth Kenya Demographic and Health Survey, and the second Kenya Service Provision Assessment, and other research as appropriate. USAID will provide the technical expertise to undertake these surveys, analyze the data, and disseminate the results at the national and district levels. In conjunction with IR3.2, assistance to improve the HIV sentinel surveillance system may be provided. At the parameter control level, USAID financing for these activities will be more limited than at the request level.
- Strengthening structures and processes for policy analysis and formulation. USAID will dedicate human and financial resources to help develop supportive legal and regulatory frameworks. USAID will also identify MOH departments and private institutions that have the capability or mandate to review and analyze issues, generate policy options, and establish partnerships with researchers, policy makers, professional institutions, key private sector organizations, community leaders, and donors.
- Strengthening advocacy for policy change for FP/RH/CS. USAID will support activities that assess whether existing policies contribute to improved delivery of FP/RH/CS services. USAID will: identify gaps for future policy development; create an environment that facilitates dialogue and good communication through the development of policy briefs and guidelines; and create an environment conducive to the definition and analysis of information

needed for policy formulation. As effective policy development structures emerge and personnel are assigned, USAID will support development of methodologies for moving policy issues forward and coordinating the identification and definition of essential policy agendas at parliamentary and central government levels. At local levels, building community demand for appropriate policies, services, and support will be focused in the area of HIV/AIDS, as further discussed in IR3.2. Gender concerns will be addressed in all policy formulation activities.

IR3.1.2 Efficiency in the management of health sector resources improved

- Improving management of the national cost-sharing program. USAID will continue to provide assistance to the national cost-sharing program to improve the efficiency of revenue collection, develop effective financial management information systems, and improve administrative and clinical management systems at the facility level. Efforts will also be made to ensure that issues of gender equity in the cost-sharing program are understood and addressed.
- Rationalizing joint GOK/donor planning and budgeting at central and decentralized levels. USAID, in collaboration with other donors, will continue to support the MOH's sector reform program. (The amount of support is dependent on whether the Mission receives its requested level of funding.) This will include technical assistance to improve rational planning, budgeting, and resource allocation. USAID will also continue to participate in the MOH/donor dialogue to create a sector-wide approach to planning and resource management.
- Increasing complementary donor financing. USAID will also continue to promote active collaboration and development of agreements on complementary and co-financed activities with other donors.

IR3.1.3 Quality of services in health facilities improved

USAID will support a comprehensive package of technical support activities targeted to key public and private health facilities:

- Institutionalizing reproductive health logistics capacity. USAID will continue to support logistics management of family planning commodities. In addition, other commodities may be added, as appropriate and necessary, including drugs and consumable commodities. This element will need to be particularly flexible to respond to the emerging needs of the Kenya Medical Supplies Agency (KEMSA), as it develops over the next few years.
- Improving training and supervision systems for RH. USAID has been a long-term supporter of reproductive health training, clinical services, and supervision in Kenya. However, a number of issues now require clarification and redefinition if similar support is to continue under this ISP. USAID, in collaboration with the MOH, undertook an assessment early in 2000 to clarify a number of issues. These issues included the need to define the roles of the various institutions within the MOH; roles and responsibilities of departments and training institutions; the roles of the training institutions themselves, specifically the decentralized training centers (DTCs) and the Kenya Medical Training College (KMTC), as well as rural health training centers; deployment of training staff and their authorities; and roles of supervisory staff. It will be important to incorporate issues of women's reproductive rights and clarification of values into the training of health providers, many of whom are women themselves. USAID assistance for training and logistics remains more limited at the parameter control level.

Intermediate Result 3.2 Increased use of proven, effective interventions to decrease risk of transmission and mitigate the impact of HIV/AIDS

IR3.2.1 Reduced key policy and other contextual constraints to preventing and mitigating the impact of HIV/AIDS

- Supporting policymakers to advocate effectively to decrease social, economic, cultural, and health impacts of HIV/AIDS. This will be done through regional or district seminars for local opinion leaders and policy makers, including parliamentarians. These meetings will educate and motivate the participants and foster district-level actions to promote preventive and supportive activities at local levels. Another activity includes identifying and facilitating development of policies in critical subject areas such as national blood policy, workplace and employment security, adolescents, and human rights.
- The National AIDS Control Council (NACC), proposed in the 1997 Sessional Paper on AIDS and authorized by President Moi in December 1999, is Kenya's first multisectoral agency to orchestrate the response to the HIV/AIDS epidemic. A future IR3.2.1 activity will be to provide support to the NACC to carry out its role as the multisectoral advocate for HIV/AIDS policies in all government and private sector venues. This activity clearly overlaps with policy and advocacy activities undertaken in IR3.1.1.
- Enhancing the ability of networking groups to mobilize communities to prevent and mitigate the impact of HIV/AIDS. In addition to those groups previously supported by USAID—religious and NGO networking groups—USAID/Kenya will work with other national or regional networking organizations. Support will include making an inventory of skills, capacity, and objectives, and helping groups build their capacity to address the HIV/AIDS issues of their clientele, including women, people with HIV/AIDS, and vulnerable children.
- Disseminating surveillance data to inform the advocacy process. USAID will assist the GOK to analyze and disseminate sentinel surveillance data that track the national and

regional evolution of the epidemic and inform policy dialogue and advocacy efforts.

IR3.2.2 Improved knowledge and practice of preventive behaviors

In general, this approach will require creativity and organizational flexibility to achieve the result.

- Planning and undertaking effective mass media campaigns. Uniform, targeted mass media programs and advertisements will be designed and carried out. Media can be used to correct stereotypes and convey messages such as “Anyone can get AIDS,” and the need for compassion and care.
- Implementing effective peer education programs. USAID will support peer education efforts through existing networks and among high risk groups, including commercial sex workers, factory workers, migrant or seasonal workers, and youth groups, such as sports clubs and the Girl Guides.
- Carrying out effective community outreach programs. USAID will continue to support work with drama groups throughout the country to develop and present appropriate AIDS prevention messages in an entertaining and informative manner. It will be important to sensitize community members and health workers about stigma and how they can be partners in reducing stigma in their communities and families.

IR3.2.3 Enhanced provision of HIV/AIDS/STI prevention, care, and support services

The program will work with communities, workplaces, and service delivery sites to deliver appropriate services and programs, including voluntary counseling and testing. The program will promote innovative research or pilot programs that can contribute knowledge and be scaled up as funds allow.

- Marketing social products and services nationwide. Marketing of *TRUST* condoms will remain a priority for the Mission, given successes to date. In 2001, based on existence of sufficient, trained counselors and test sites, USAID may begin social marketing of nationwide voluntary counseling and testing services. Expansion of VCT services will depend on funding levels. At the Mission request level, these critically needed services will be socially marketed on a

more widespread basis. In addition, to educate and inform people in a targeted manner, social marketing techniques will be used to develop generic HIV/AIDS messages.

- Enhancing the capacity of communities to identify their needs and carry out home-based care and support for people with AIDS and their families. In collaboration with SO7, programs and microenterprise activities (e.g., micro-credit and business training) will be undertaken to assist communities and individuals affected by HIV/AIDS, including vulnerable children. The Mission will address the burgeoning problem of AIDS orphans and other vulnerable children in the context of helping families and communities. In addition to ongoing piloting of community-based care for orphans, both prevention and care activities will work with families, mothers, and communities to find the best solutions for children made vulnerable by HIV/AIDS and other causes. At the parameter control level, however, care and support activities will remain limited to the current geographic areas.

- Increasing the capacity of selected work sites to develop supportive policies and prevention programs. Through supporting HIV/AIDS policies and prevention programs at the workplace, Kenyan employers have the potential to affect the behavior and security of large numbers of the economically active population. At the national level, SO3 will work to help key stakeholders form business coalitions to establish fora for discussion of issues and press for equitable and humane policies and programs among the major employers. At the regional level, SO3 will work with large to medium-sized employers to help them put prevention programs and services in place for employees and their families.

- Improving the capacity for HIV/AIDS/STI prevention at the community and facility level. Through support to local implementing organizations, the program will help selected communities identify their needs, develop and undertake activities focusing on home-based care, and support for those with HIV/AIDS and their families. In selected FP/RH/CS settings in geographic focus areas, the Mission will upgrade facilities and train health providers in prevention and

control of HIV/AIDS/STI counseling and testing, and home-based care.

- Developing and implementing innovative programs to decrease HIV/AIDS transmission, including, for example studies on decreasing mother-to-child transmission.
- Improving blood safety and HIV/AIDS prevention, improving control of tuberculosis, and increasing voluntary HIV/AIDS counseling and testing in program areas of Kenya.

Intermediate Result 3.3 Increased customer use of FP/RH/CS services

IR3.3.1 Integrated FP/RH/CS services expanded

USAID will combine and refocus its separate clinic, community-based, and quality improvement RH activities to take a more facility-based, comprehensive approach to service delivery at the district level. An NGO, or a consortium of NGOs, will be selected to work with USAID/Kenya and its cooperating agencies (CAs) to undertake the following activities:

- Increasing availability of facility and community-level family planning (FP), reproductive health (RH), and child survival (CS) services in selected geographic areas. In contrast to prior years, the Mission will focus a complete range of FP/RH/CS services in selected geographic regions or districts, based on criteria agreed upon with the MOH. The aim will be to expand services to areas that are under-served and have poor reproductive health, but which show a commitment and capacity for improvement.

Facilities will be encouraged to provide a complete range of FP/RH services, including permanent and long-term FP methods and postabortion care (PAC), as well as HIV/AIDS/STI prevention, and selected child survival services. Community-based distribution (CBD) services may include a variety of providers, e.g., employees, volunteers, and “depot holders” (who hold contraceptive supplies for collection by clients). They will complement clinic-based efforts, as appropriate.

These facilities will serve as centers of excellence. They will provide training and

other quality improvement activities to private sector providers in the area, and to public sector providers when appropriate.

NGOs will coordinate with district-level authorities and work with public sector facilities. The result will be strong public/private sector relationships. The public sector will continue to provide commodities to NGOs, supervise services, provide policy guidance, and set standards for quality of care.

Finally, the NGOs will be expected to coordinate activities with other SO3 projects—especially those working in HIV/AIDS prevention—as well as with other donors. NGOs will also incorporate key lessons emerging from IR3.3.3, such as the importance of supervision, the availability of essential drugs, presumptive malaria treatment for pregnant women, and standardized case definition. This new program has the potential for much wider geographic focus at the Mission request level.

- Increasing the availability of socially-marketed products and services. Lessons learned from private, commercial sector advertising and marketing will be used to provide selected health products, e.g., contraceptives and insecticide-treated materials, to targeted groups of consumers. This will both increase access to these products and reduce the burden on the public sector’s health program. At the Mission request level, and if there is demand from the GOK or donors, other products can be developed and marketed. Another aspect of social marketing, behavior change, is discussed in IR3.3.2, below. The social marketing program will work with NGO facilities and others in selected districts and with the MOH at the national level to: expand the sales of family planning commodities, starting with oral contraceptives and injectables and possibly additional products; launch and scale up the social marketing of insecticide-treated nets and re-dipping services in regions where malaria is a problem; and build on the existing social marketing organization to create a strong, independent entity with close links to the international social marketing system. Expansion of the social marketing program will take place at the Mission request level of funding.

IR3.3.2 Improved knowledge of and demand for FP/RH/CS services

USAID will ensure that information about services is available to the target groups needing the services and will influence voluntary behavior to improve personal and community welfare. Activities will target young people (all services), men and women of reproductive age (information about family planning and specific services, especially HIV/AIDS), and parents and other care-givers (prevention and care of childhood illnesses, including immunization and the use of bednets). Demand creation activities will be integrated into the service delivery programs supported under IR3.1. National-level mass media campaigns will also be creatively linked to community-level communications activities in these areas. IR3.3.2 communications activities will complement HIV/AIDS mass media and interpersonal communications activities developed under IR3.2.2.

- Conducting effective community outreach and interpersonal communications programs. These can be done through a variety of mass, folk, and other media in both urban and rural areas. Enhancing the role of women and girls and moderating potentially harmful customs are examples of areas that NGOs, working under IR3.3.1 above, could address. Promoting dual methods of protection and encouraging condom use are also important. NGOs and CBOs are well placed to develop local-level peer education, counseling, and AIDS care and support programs. Youth, men, families, and service providers will be targeted.

- Planning and undertaking effective mass media campaigns. These will use social marketing techniques and will be informational in nature. Targeted messages will promote a variety of healthy lifestyle choices. These might include information about child spacing, use of condoms for AIDS protection, promotion of immunization, antenatal services, and well-baby care.

IR3.3.3 New and improved FP/RH/CS programs and interventions conducted and applied

USAID will support operations research, specific assessments, and small-scale studies, pilot innovative programs, and suggest ways to improve existing programs.

- Undertaking research and evaluation to develop better program options. USAID will continue to draw on the vast experience of its research-oriented CAs to undertake operations research, specific assessments, and small studies. This support will strengthen the close links between research, program planning, and implementation of activities by enhancing CA capacity to translate research findings into program action. Research themes may include the following: promoting the use of more effective and sustainable methods; dual method protection and female controlled barrier methods; the elasticity of demand and pilot-scale cost recovery experiments; alternate service delivery models; and integrating the use of standard treatment protocols and other child health interventions in a FP/RH/CS service delivery setting. Core funding will continue to be critical to supporting these activities at the parameter control level, which provides very limited support for research.

- Implementing pilot postabortion care programs. Given the high unmet need for FP, there is a high incidence of abortion and a critical need for PAC services. Through operations research, innovative PAC services have been identified. The emphasis will be to expand PAC services and make them more accessible. USAID will continue to support the expansion of PAC services through the training of private nurse-midwives. Expansion may be linked to the geographic focus described in IR3.3.1. Public sector PAC services will also be strengthened. Efforts will continue (in collaboration with the National Nurses Association of Kenya and the Nursing Council of Kenya) to ensure that PAC is incorporated in pre-service and in-service training and continuing education curricula. National and community-based policy and advocacy activities will be developed to complement district-level activities and promote a conducive policy environment for the full-scale expansion of PAC. This is a small but highly regarded

USAID effort in Kenya. Its expansion will depend on the availability of additional resources at the Mission request level.

- Strengthening integrated management of childhood illnesses (IMCI) in selected areas. The integrated management of six key childhood ailments (diarrhea, malaria, ARI, measles, anemia, and malnutrition) has become recognized as an effective child survival strategy. Important elements of IMCI include: improving the case management and counseling skills of health workers, improving community practices through behavior change strategies, and training caretakers in early recognition and treatment of childhood illnesses. To help address increasing child mortality, USAID hopes to continue to work in Bungoma District to put effective implementation of IMCI in place, particularly with regard to reducing severe cases of malaria in children under five. In districts with USAID-supported activities (described in IR3.3.1), cooperating agencies and NGOs should also begin to implement the case management component of IMCI at their clinics to promote an integrated approach to delivery of all services. If child survival funds are not available at the Mission request level, the Mission will have to make critical choices about support for the three key child survival initiatives of USAID/Kenya—health care financing, the social marketing of bednets, and the continuation of the Bungoma District Initiative.

Plus-Up approaches

USAID may receive significant increases in HIV/AIDS, tuberculosis and malaria funds, —called the Plus-Up—in FY2001 and subsequent years which could translate into substantially increased funds for Kenya. USAID/Kenya has defined the kinds of additional activities which it believes would be appropriate for USAID to undertake in Kenya. All of these activities fall within the scope of the new Strategic Plan of the National AIDS Control Council (NACC). In developing the plan, the Mission will undertake extensive consultations with the government of Kenya and other partners and stakeholders.

Most activities would use current partners to either expand existing USAID/Kenya activities or undertake new activities to fill gaps due to current funding constraints. At the same time, USAID/Kenya hopes to develop relationships with several new partners and agencies to enlarge the range of the SO3 program into a few different intervention areas. If this additional funding comes through, the Mission will revise the Performance Monitoring Plan to reflect a higher level of achievement. The Results Framework is currently broad enough to accommodate any new activities.

PROGRAM SYNERGIES

Synergies with SO6, Democracy and governance

SO3 activities have a direct bearing on democracy and governance issues, many of which are—or could be—linked to SO6.

Policy formulation and advocacy

SO3 uses the centrally-funded POLICY Project for technical assistance in building a supportive policy environment. This project has experience in dealing with the Kenyan Parliament on HIV/AIDS. SO6 activities to strengthen Parliament and increase its independence are implemented by the State University of New York. SO3's POLICY Project teams meet and collaborate with SO1 partners on advocacy, thematic study tours, capacity-building, and the dissemination of information.

Improving GOK resource management

Resource management is also a critical governance issue. All of the policies and systems being promoted by USAID in IR3.1 are intended to result in more rational, efficient, and effective ways of ensuring that health resources, as a social good, reach the ultimate beneficiaries, the public.

Political leadership and advocacy for HIV/AIDS

The HIV/AIDS epidemic in Kenya is more than a health issue; it is already affecting economic growth, development, and basic social structures and eventually will affect national security. With some added resources, Kenyan research organizations or economic think tanks could focus on the economic impact of AIDS. Human rights organizations will explore issues of stigmatization and discrimination associated with AIDS. Capitalizing on the strong relationships already in place with NGOs, churches, and women's groups, USAID will explore incorporating HIV/AIDS intervention into existing SO6 programs, empowering these

groups to further improve their lives and Kenyan society.

Women's participation and human rights
USAID, the government of Kenya, and their partner organizations are working to solve Kenya's population problems while at the same time respecting and fostering human rights. These rights were restated at the Cairo International Conference on Population and Development (ICPD) and at the Beijing World Conference on Women. These human rights include women's "right to have control over and decide freely and responsibly on matters related to their sexuality, including sexual and reproductive health, free of coercion, discrimination, and violence." As SO6 works to strengthen civil society with an emphasis on women's participation, SO3 can ensure that reproductive health rights, and the empowering benefits of guaranteeing these rights, are included in those efforts.

Synergies with SO7, Increased Rural Household Incomes

Fertility linked to poverty

Economic growth has been slow and erratic, and continues to be eroded by rapid population growth, which is still well above two percent per year. The forthcoming Welfare Monitoring Survey will show that more and more Kenyan families are slipping below the poverty line. By helping to reduce fertility, SO3 will help decrease unemployment and increase per capita income.

Since 80 percent of Kenyans live in rural areas where HIV prevalence rates are rapidly increasing, the impact of HIV/AIDS on this sector of society will be devastating, particularly to the adult working population. Agricultural workers will be particularly affected. SO3 will help SO7 increase labor opportunities for women by improving their health and reducing time lost due to unplanned pregnancies.

By improving child health, especially through preventative and primary health measures, SO3 will also help improve the quality of the next generation's labor force and reduce the cost of health care.

Microenterprise and HIV/AIDS

HIV/AIDS interventions could be woven into existing programs with one of the microenterprise or community-based groups supported through SO7. In November 1999, USAID/Washington's Global Bureau facilitated a consultation which explored the feasibility of using an SO7 microenterprise cooperating agency to undertake an activity focused on assisting communities where HIV/AIDS is beginning to take a toll on families and credit institutions. Now a collaborative activity between two SO3 HIV/AIDS cooperating agencies and one SO7 microfinance grantee is being designed. Similarly, under SO7, research is underway which will explore the difficulties that AIDS may pose to credit or lending organizations within Kenya.

Title II and HIV/AIDS

A report entitled *The potential role of food aid for AIDS mitigation in East Africa* suggests that aid in the form of food has the potential to help impoverished African households to cope with the crisis brought on by HIV/AIDS. SO2 and SO3 are exploring whether this may be a viable activity to

undertake in partnership with American PVOs that are currently importing or monetizing food. If so, this collaboration could begin as early as FY2001.

Marketing of health products

At the program level, the social marketing of various health products, such as condoms, contraceptives, and bed nets could be done in coordination with SO7 activities with small entrepreneurs.

Synergies with Special Objective 4, Assisting Bomb Blast Victims

Improved blood transfusion services

The terrorist bombing of August 1998 revealed critical weaknesses in Kenya's emergency and medical response system. Strengthening blood transfusion services (BTS) was identified as one of the key interventions to enhance Kenya's preparedness for future disasters.

The SO3 team, working with the Mission's Bomb Response Unit, is managing a program that focuses on strengthening BTS in Kenya. The program is constructing and equipping five new blood transfusion centers around Kenya, resulting in an adequate supply of safe blood to meet the blood transfusion needs in Kenya. At the same time, it will reduce the risk of HIV/AIDS transmission through contaminated blood.

JUDGING RESULTS

SUSTAINABILITY

Under SO3, the primary focus will be to continue strengthening Kenya's health service delivery system and maintaining major support for integrated reproductive health and HIV/AIDS service delivery. SO3 will continue to focus on sustainable strategies by closely collaborating and cooperating with its customers and partners to increase financial contributions from the GOK, customers, and other donors. Specific interventions and inputs will be strengthened and pursued as outlined below.

Health care financing

USAID is the leading donor and the single largest source of financial and technical support to the national health care financing program. Primarily due to USAID support, the MOH national cost-sharing program has generated over \$25 million in local revenue since 1990. This initiative has been critical to increasing the sustainability and improving the quality of public health care. USAID will continue to provide assistance to the national cost-sharing program to improve the efficiency of revenue collection, to develop an effective financial management information system, and to improve administrative and clinical management systems at the facility level. With USAID's input, cost-sharing revenues are expected to increase to \$10 million annually in 2000.

Social marketing

Revenues from condom sales represent about 20 percent of the operating costs of the social marketing program. While the social marketing program is not yet self-sustaining, this percentage will grow over time. In addition, increasing condom sales indicates that people are willing to pay for a

commodity that had previously been free or highly subsidized. USAID's social marketing program can provide valuable lessons to the government in how to market and sell these products. In FY2000, the GOK agreed to provide free TV and radio airtime for social marketing generic advertisements. This represents a significant financial contribution to the program.

Training

Training and other services provided to private sector providers will be on a cost-shared basis. In-kind support (office space, vehicles, and staff) from district health management teams will also be pursued. Other donors are expected to provide some of the inputs required for training, social marketing, and other services.

Building capacity

Helping an organization or community gain the capacity to competently undertake management and technical tasks is, ultimately, the best way to assure that an organization will survive after USAID funding has ended. This is the primary focus of IR3.1. Capacity-building is also a key theme of several of the HIV/AIDS activities, including networking, clinic-based and community-based programming, and workplace and blood safety.

Customer focus and donor coordination

With the understanding that customer satisfaction contributes to sustainability, USAID/Kenya will continue to consult with SO3 customers and partners in a variety of ways to achieve development objectives and sustainability. Regular consultative sessions

with the managers of each cooperating agency (CA), such as the quarterly meeting with all CAs and individual quarterly meetings with each CA, are important venues for discussing mutual interests. Various government, donor, private sector, and CA partners have been involved in the development of the HIV/AIDS strategy, the mid-term review, and the development of this ISP. All meet frequently in topic-specific donor and government meetings.

There are regular meetings on logistics management, health sector reform, HIV/AIDS, and overall health and population issues. USAID/Kenya staff members go to the field frequently to ensure that clients are benefiting from its programs. USAID will also continue to promote active collaboration and development of agreements on complementary and co-financed activities with other donors.

PERFORMANCE MONITORING PLAN

This section summarizes the SO3 Performance Monitoring Plan (PMP) plans for monitoring results at the program and community levels and for assessing the linkages between program outputs and population outcomes. The results framework (RF) provides a clear rationale for activities proposed in this ISP. The RF also reflects adjustments recommended in the 1999 collaborative mid-term review of the health and population activities carried out under the 1996-2000 Strategic Plan, and in recent discussions with partners, stakeholders, and beneficiaries. The PMP augments the RF, showing how the SO and its IRs will be monitored and evaluated.

Indicators for monitoring progress

The following table summarizes the key indicators that will provide performance information for the strategic objective and its three IRs. A full list of SO3 indicators will be provided in the PMP.

In addition to monitoring indicators to assess program performance, the PMP will evaluate the linkages between program outputs and population outcomes at the community level through periodic assessments and project evaluations. These studies will provide information on whether certain results are being achieved and will identify constraints within the implementation environment. Evaluations and assessments will be planned and undertaken in conjunction with the SO3 team leader and the SO3 PMP team.

Information for monitoring and evaluation

Data types

To monitor program performance, quantitative and qualitative information will be obtained from primary sources (data collected specifically within the context of the program itself) and secondary sources (data collected by another source for some other purpose). For indicators, time-series data will be collected and analyzed, and whenever possible, desegregated by gender, socioeconomic status, and geographical location.

Data sources

- *Workplans.* Each implementing partner will prepare multi-year and annual workplans that will describe inputs, activities to be conducted, and expected results. They will indicate milestones and who is responsible for providing the inputs and producing results. Workplans will be the basis for monitoring progress during project implementation and help rationalize allocation of SO3 resources.
- *Reports.* All activity implementing partners will submit quarterly and annual summary reports. Quarterly reports will highlight achievements during the last quarter, activities planned for the next quarter, and implementation issues, and they will give a summary of project finances and the current pipeline. A statistical attachment will present service statistics for specific indicators that feed into the SO3 management information system. Quarterly review meetings will be held.
- *Ministry of Health reports.* On a periodic basis, SO3 staff will collect information from reports issued by the Ministry of Health on the policy development process, cost-sharing revenue, decentralization, and management by district health management boards and district health management teams, HIV prevalence, and commodity logistics management.

National surveys and the census

- *Kenya Demographic and Health Surveys.* The KDHS provides information on nationally representative samples of women aged 15 to 49 and men 15 to 54. KDHS collects population-based information on fertility and fertility preferences, family planning knowledge and use, prenatal care and delivery assistance, breastfeeding, childhood immunizations, treatment of childhood illnesses, and sexual behavior and knowledge. Past surveys (1989, 1993, and 1998) will provide baseline information, especially in the districts over-sampled during those surveys. The KDHS planned for 2002 or 2003 will provide an independent measurement of many project indicators.
- *Kenya Service Provision Assessment.* The KSPA monitors the provision of health

services in Kenya. The 1999 survey was taken in a nationally representative sample of approximately 325 health facilities, and can be linked to 1998 KDHS data. The study includes a community survey, a facility assessment, a provider survey, client exit interviews, and observation of client-provider interactions. The study provides measures of service availability, quality, and integration. A similar study will be undertaken in 2002 or 2003, along with the next KDHS.

- *1999 Kenya Census of Population and Housing.* A population census was conducted in August 1999. A census is the only tool that the GOK has to obtain data from every individual, household, and area of the country. The information collected during the census will show the geographic distribution and social and economic characteristics of Kenya's population. The data will provide district profiles for geographically-based activities and baseline data for several indicators.

- *Applied and operations research.* USAID has supported operations research, specific assessments, small studies, and innovative programs to refine or suggest new implementation mechanisms for existing program approaches. The results of these studies will augment program monitoring and impact evaluation activities. The links between research, program planning, and implementation of activities will be strengthened.

- *Field visits.* Project managers will make regular field visits to familiarize themselves with project sites and observe the implementation of services. These visits will focus on interaction with target groups and ultimate beneficiaries to obtain feedback on project interventions.

- *Meetings.* Stakeholders' meetings will be held to: enhance donor coordination and collaboration; address issues that pertain to the sector or projects; and create a sense of ownership by the various partners. Partners may include GOK departments, local groups, donors, and other development partners. Regular project management meetings to address technical and operational issues will also be conducted.

Implementing the Performance Monitoring Plan

The SO3 management information system (MIS) will track the data collected and reported to USAID/Kenya. The formats and elements of statistical, financial, and other reports will be standardized. To create a more efficient data collection process, the SO3 PMP team will continuously evaluate its MIS data needs. In determining program impact, the team will compare national survey results (e.g., KDHS), and project survey and service delivery data. Whenever possible, data will be compared over time and in intervention versus non-intervention areas. Of special interest will be gender-specific program impacts and disaggregation of urban and rural areas.

Performance information will be used to show how an activity or intervention is progressing with respect to the results it is expected to achieve, and analyze reasons for success or failure. Specific uses of the information collected on SO3 activities will include revising program approaches and performance, troubleshooting and anticipating potential problems, and writing periodic reports on the program for USAID/W and other stakeholders.

Results	Performance Indicator	Baseline		Target (2005)
		Year	Value	
Strategic Objective 3: reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services	1. Total Fertility Rate	1999	4.5	3.9
	2. Sales of socially-marketed condoms (number of condoms sold per month)	1999	1.0m	3.0m
Intermediate Result 3.1: Improved enabling environment for the provision of health services	1. Annual MOH cost-sharing revenue	1999	\$10m	\$15m
	2. Milestones for establishment and functioning of Kenya Medical Supplies Agency (KEMSA)	2000	TBD	TBD
Intermediate Result 3.2: Increased use of proven, effective interventions to decrease risk of transmission and mitigate the impact of HIV/AIDS	1. AIDS Program Effort Index	2000	TBD	TBD
	2. Proportion of respondents who have had sex with a non-marital, non-cohabiting partner in last 12 months:			
	Men	1998	TBD	TBD
	Women	1998	TBD	TBD
	3. Proportion of these respondents who used a condom the last time they had sex with such a partner			
	Men	1998	42%	84%
Intermediate Result 3.3: Increased customer use of FP/RH/CS services	1. Couple years of protection (CYP)	1999	2.3m	5.4m
	2. Number of facilities offering postabortion care (PAC) services	1999	44	144
	3. Sales of socially-marketed bed nets (monthly)	2000	TBD	TBD

Note: These indicators are provisional. The final indicators will be provided in the Performance Monitoring Plan

STRATEGIC OBJECTIVE 5: IMPROVED NATURAL RESOURCES MANAGEMENT IN TARGETED BIODIVERSE AREAS BY AND FOR STAKEHOLDERS

Kenya's natural resources—in particular its rich biodiverse areas and savanna wildlife—are among the country's most valuable assets, and Kenya is ranked among the top 50 countries in the world for species richness. In 1999, wildlife-based tourism contributed 2.9 percent of Kenya's GDP, ten percent of formal employment opportunities, and 18 percent of total foreign exchange earnings. As the health of the tourism industry rises and falls, so does the Kenyan economy. It is critical that the country conserve its biologically diverse natural resources if it is to exploit the increasingly competitive global ecotourism market and promote the sustainable management and use of its unique natural resource base.

Kenya's natural resources provide many benefits and promise to increase in value if they can be preserved. Identifying Kenya's biodiversity resources is just beginning. Linkages between biodiversity and human health are strong, because traditional herbal medicines are widely used in Kenya, especially in rural areas. Export markets for indigenous medicinal plants are also growing.

All wildlife in Kenya is officially owned by the government of Kenya. Eight percent of the country has been set aside as protected areas—national parks and reserves—for this wildlife, but estimates indicate that ten percent of the country's wildlife lives in national parks, 15 percent lives in the

national reserves, and 75 percent lives outside of the protected areas. Therefore, what happens outside of the protected areas is critical to the survival of Kenya's wildlife. Successful wildlife conservation depends on sustainable natural resources management (NRM) practices by communities living adjacent to protected areas.

USAID/Kenya's NRM program focuses on achieving sustainable economic benefits through conservation of biodiversity. It addresses conservation of a broad range of natural resources including wildlife, coastal marine resources, rangelands, and forests in protected areas and on private lands.

Importance of natural resources management in Kenya to the region

Kenya is a key country in the region due to its relative stability in the conflict-prone region and its achievements in the area of conservation of biodiversity. Kenya is rich in terms of natural resources and the diversity of those resources. Sustainable conservation of biodiversity within East Africa cannot succeed without Kenya. Among African countries, Kenya is second only to the Democratic Republic of Congo in bird diversity, and many of these birds migrate throughout the region. The Serengeti-Masai Mara ecosystem, which straddles the Kenya-Tanzania border, supports an unrivaled diversity and abundance of large mammals but the entire ecosystem is increasingly threatened on the Kenya side of the border by expansion of agriculture,

conflict over the coexistence of wildlife and livestock, and poorly managed tourism. Along the coast, the Kenyan and Tanzanian coral reef ecosystem is among the richest in the world but it is being rapidly destroyed by pollution and over-exploitation. The Eastern Arc Mountains and coastal forests of Kenya and Tanzania constitute one of the world's richest locales for plant diversity. Kenya has historically played a leadership role in conservation, and reports from the wildlife sector in Kenya quickly make their way into the international press. While the focus in the past has been on the big game animals, it is now shifting to biodiversity. Continued assistance to the sector is required if Kenya is to remain proactive in conservation of biodiversity and lead others in the region to follow.

Realities to be addressed

Kenya has been able to partially conserve its biodiversity through its protected area (PA) system. Over the past decade, substantial progress has been made in securing and managing the protected areas for conservation and economic benefits. However, even long-term conservation efforts will not succeed until fundamental realities are reckoned with:

- Systems currently in place are insufficient to maintain Kenya's biodiversity.
- Many protected areas do not and cannot exist as ecological isolates.
- The protected areas network does not include and protect all areas in Kenya that are biologically diverse.
- Sustainable conservation depends on maintaining several complex and interconnected ecosystems that, in many cases, extend well beyond Kenya's borders.
- Wildlife needs seasonal dispersal areas and migration corridors.
- Human needs are often in conflict with animal needs.
- Women's participation in NRM is key, as discussed below, but women have traditionally been overlooked in the conservation and management planning processes, as well as in training programs.

Recent accomplishments

To achieve sustainable conservation of Kenya's biodiversity, natural resource management calls for an integrated approach to these problems—one that is not focused solely on wildlife and endangered flora. USAID/Kenya's NRM program will adopt a holistic approach to conservation of biodiversity, addressing a range of interconnected socioeconomic issues facing communities and biological conservation in Kenya.

The program will build on its many successes. In some areas, a solid base in community conservation has already been established. Significant changes in the attitudes of USAID/Kenya-targeted communities living adjacent to parks and reserves and in the Kenya Wildlife Service (KWS) have already been observed. Through the incentive program promoted by the USAID-supported Conservation of Biodiverse Resource Areas (COBRA) project, communities have shown increasing interest in investing in nature-focused business and are generating income. In 1999, communities earned \$119,000 and 110 people (nearly all men) were reported to be project-employed. There were 1,143 individuals in groups (including 210 women), and benefiting households totaled over 980. The KWS has also demonstrated willingness to promote community-based conservation. Many targeted communities are receiving support from the KWS, which has created a Partnership Department that has institutionalized the Community Wildlife Program. Improved relationships between the KWS and community groups and individuals are being seen. Communities are also showing increasing tolerance toward wildlife, and are considering wildlife to be an asset rather than a liability. As a result, communities across Kenya have put two million hectares of land under conservation. In areas with community conservation programs, wildlife numbers have either stabilized or increased. For example, on the Amboseli, Laikipia, and Machakos savannas, wildlife numbers appear stable, and rangeland vegetation is improving due in part to long-term community-based conservation in these areas. In northeastern Kenya, however, where such interventions have not taken place, wildlife

and livestock numbers are declining due to degradation and fragmentation of rangelands.

Experiments pairing conservation with exploitation of wildlife in areas adjacent to parks and reserves have provided useful information on which to model future projects. This is exemplified by the COBRA project. Government of Kenya (GOK) formulation of new wildlife policy and the drafting of a new wildlife bill have benefited from the COBRA experience, and a close partnership between KWS and the Mission has been established.

USAID/Kenya will not focus on stabilizing or reversing large-scale biophysical trends head on. To achieve results in NRM, the Mission, the GOK, and other donor programs will need to coordinate their efforts in target areas. The new program will use community-based and integrated NRM approaches to address these objectives

Implementation of the new strategy departs from the past in two significant ways. First, the strategy adopts a more integrated approach to NRM than was pursued in the COBRA I and II projects, which focused on wildlife management as a means to income and employment generation. Second, the strategy will expand the set and scope of intermediate results to include a new forestry initiative, to strengthen advocacy for policy reform, and to reflect improvement in the management of Kenya's natural resources.

Contribution to USAID/Kenya Goal

Environmental degradation undermines long-term economic growth, impairs critical ecological systems, and threatens human health, upon which sustainable development depends. Careful management of natural

resources is essential if investments in development are to yield sustainable benefits. Unpolluted and non-degraded ecosystems are required for long-term economic growth and food security. Clean air and water are prerequisites to human health. Addressing environmental issues builds public and private sector partnerships, increases public awareness through education and training, crosses gender, cultural, and class lines, and strengthens civil societies. Successful achievement of NRM objectives will therefore directly contribute to the USAID/Kenya Goal. SO5 is also complementary to other SOs.

Gender and NRM

Forests

Rural women are major caretakers and users of forests. They are the main gatherers of fodder and fuel, and they seek out fruits and nuts that are important for their families' nutrition. However, women typically have unequal access to forestry information, training, education, and research. As a result, national capacity for the development, conservation, management, and protection of forests and forest ecosystems is constrained.

Fisheries

In most fishing communities, women predominate in handling, preservation, and processing of fish products, and in some communities, in marketing of fish products. Post-harvest losses are often high due to inefficient technologies and inadequate storage facilities. Improvements in equipment and methods can make a significant difference and increase women's capacity to generate income.

PROBLEM ANALYSIS

Protective measures for Kenyan ecosystems may include soil stabilization and protection of watersheds and the coastal zone. Most endangered are marine and terrestrial biodiversity including wildlife, rangelands, and forests.

Wildlife and rangelands

Rapid growth of human populations in some key wildlife areas is having serious detrimental effects on wildlife. For example, human population is increasing by seven percent annually in the Masai Mara ecosystem. These trends will have serious short-term impacts on tourism revenues, and, if the trends go unchecked, vital species and globally important wildlife migrations could be lost forever from Kenya and perhaps the whole of East Africa.

Soils

Soil fertility is another linchpin resource showing negative trends. Population is growing at 2.2 percent per year, which is putting land under increasing pressure. As a result, the migration from high- to low-potential rural areas, livestock overgrazing, and lack of access to appropriate soil management techniques are contributing to soil fertility declines, erosion, and sedimentation in inland and coastal waters. However, some areas where agroforestry methods are being adopted are showing gains in soil fertility.

Forests

Encroachment on forests is a serious problem. Forests are the protectors of critical water catchment areas, and loss of forests causes erosion and increased sedimentation of waterways and coastal areas. Wood provides an estimated 98 percent of all domestic fuel in Kenya today. Forest conversion for agriculture, fuel wood collection for domestic use and markets, and excessive timber and non-timber product collection are

rapidly depleting Kenya's forests. In addition to decreased density and acreage of native hardwood and indigenous fruit trees, the extent of coastal mangroves has decreased by an estimated 70 percent in the 1900s. However, some farm-based tree resources are increasing, providing the future potential to lessen pressures on nearby forests. The opportunity to address sustainable use of forest and tree resources in Kenya will have enormous repercussions on other regions and systems throughout the country, such as soil fertility, stream and river ecosystems, productivity of coastal fisheries, and habitats for plants and animals.

Water

Water is also under threat in Kenya. Unsustainable extraction, pollution, and sedimentation are increasing. Competition for water is rapidly rising in wildlife areas, drylands, and coastal areas, yet integrated water resource management is absent. Many communities engaged in smallholder agriculture lack the means to make efficient use of water. Economically attractive options and stronger forces usually prevail over more sustainable water management.

Coral reefs are also being seriously threatened. Kenya is endowed with richly diverse coral systems, and support critical fisheries and stabilize coastlines. However, increasing pollution from inland sediments, oil shipping, industrial dumping, and expanding human waste streams are serious concerns. Over-extraction of coastal and marine resources and inadequate controls on tourism add to the pressure on reefs.

These negative trends are worsening, due to inadequate planning, lack of adoption of sustainable land uses, and ineffective governance. There is a need for an improved set of policies supporting conservation and equitable natural resource management in Kenya.

Impact of HIV/AIDS on the sector

NRM focus areas currently have higher prevalence rates than other areas of the country. Much income in the focus areas is derived from family members who are employed in towns and cities. In addition to

being conduits for the disease, the illnesses and deaths of those breadwinners can trigger poverty, food insecurity, and reduced access to health care and education in NRM focus areas. The impact of HIV/AIDS on NRM is therefore likely to increase.

CONSULTATION & COLLABORATION

CONSULTATIVE PROCESS

Planning process

In developing a new NRM strategic objective, USAID/Kenya's Agriculture, Business, and Environment Office recognized the need to engage a rich cross-section of local experts in a substantive dialog to assist in strategy development. Major decisions regarding program focus were open and transparent throughout the process.

The first step in the process included consultations with Mission management, other Mission SO teams, and technical staff in USAID's Africa and Global Bureaus to set the basic parameters of the new program. As part of this initial "scoping" exercise, a diverse group of Kenyan experts was brought together for four days of intensive investigation. This group, composed of eleven key informants, represented interests and institutions working in wildlife, soil conservation, livestock management, coastal resources management, and community conservation.

The outcome of this first series of consultations included an environmental scan of the sector, an articulation of USAID's comparative advantage, a draft strategic objective (SO), and the suggestion of an overall strategy implied by a set of possible intermediate results. The group also identified a short-list of assessments and analyses that needed to be completed as part of the program. Participants expressed their satisfaction with the outcomes and committed their future involvement in the planning process.

The proposed split of SO7 into two SOs—one focusing on commercialization of smallholders and the other on NRM—was approved by USAID/W during the 1999 R4 process. The SO7 team is now in the process of re-articulating its strategy, with a revised objective of increasing incomes of rural households in target areas.

The second step in the process was to move from the draft SO to an articulation of an explicit strategy, including the description of USAID/Kenya's development hypothesis, a draft results framework, initial performance indicators, and supporting documentation. This second step included several workshops involving over forty organizations and dozens of resource individuals and experts.

A small group of local experts assisted in drafting the results framework and performance indicators. In addition, an orientation was conducted with major donors working within the sector to explore how their activities might contribute to, or complement, these results. To follow up, a formal survey was conducted to document the range of donor activities in the sector.

Finally, the draft strategic plan for SO5 was produced, presented, and discussed with stakeholders in USAID/W as well as within the broad community of stakeholders in Kenya. A group of over twenty technical experts and collaborators was assembled one last time to review the draft strategy in detail. Near the end of this phase, the Mission presented the almost-final strategic plan to a broad group of customers and conducted an orientation to ensure that the broader environment community in Kenya was informed and consulted in the process.

In total, over eighty local experts (external to USAID), representing nearly forty local and international organizations, were engaged in the planning process.

Consultations will continue after the approval of this SO5 strategy. USAID/Kenya expects to formulate an extended strategic objective team, which will include some of the same people involved in the consultative planning process. In addition, the Mission expects that the strategic objective team will host annual meetings during which program

performance will be presented and discussed. It hopes to use these meetings as fora for leveraging support for the broader reform and coordination necessary to advance the status of natural resources management in Kenya. Studies of donor involvement in NRM and the forest sector also involved extensive consultations; those consulted are listed separately in the study reports.

Other USG agencies active in natural resources management

Other important USG initiatives include:

- The USAID/W Global Conservation Program (USAID/G/ENV/ENR) that supports conservation of the world's biodiversity. In Kenya, the program is collaborating with the African Wildlife Foundation through the Conservation of Resources in African Landscapes (CORAL) project in Laikipia/Samburu and Amboseli/Longindo. USAID/Kenya's Conservation of Resources through Enterprise (CORE) Project is collaborating with the CORAL program by targeting the same areas and building on CORAL strategies to promote a host of conservation incentives.
- The U.S. Department of Agriculture's Fish and Wildlife Service (USDA/FW) grants for elephant and rhinoceros protection support activities that build on USAID/Kenya's long-term investment in the Kenya Wildlife Service.
- Dialogues between the USDA, the U.S. Embassy Nairobi, and the GOK on international treaties such as the Convention on the International Trade of Endangered Species (CITES) engage the GOK on policy formulation and compliance with NRM-related international conventions.
- The Global Livestock Collaborative Research Support Program's project, Improving Pastoral Risk Management on East Africa Rangelands, builds on past work. Their applied research and outreach have a goal of improving pastoral risk management using assets and income diversification, enhancement of information flow and use, and improved access to external resources. This research project will identify context-sensitive interventions at various socio-economic levels.

- USAID/G/ENV/ENR's Coastal Resources Management II Cooperative Agreement provides financial support for integrated coastal zone management activities in Kenya through the University of Rhode Island's Coastal Resource Center.
- REDSO/ESA provides capacity-building support for the West Indian Ocean Marine Sciences Association (WIOMSA). Under the program, technical advisors will receive training for several weeks in different East African countries. The participants will then be eligible to apply for financial assistance to demonstrate new initiatives observed during their training. It benefits SO5-supported coastal zone management activities.
- REDSO/ESA is exploring the development of a remote sensing activity with USAID/Uganda through the U.S. Geological Survey under the Africa Bureau's Tree Crops Program. The activity will monitor land use changes at the farm level (such as the diversification of vegetation) to determine if participating farmers are adopting agreed-upon environmental practices. The REDSO/ESA activity could serve as a model for any future USAID/Kenya tree crops monitoring activity.
- The U.S. Forest Service has a project that monitors forest health using remote sensing in collaboration with the University of Dar es Salaam's Remote Sensing Centre, and with the GIS Remote Sensing Labs at Sokoine University in Tanzania and the Taita Hills in Kenya. SO5's proposed forestry program is likely to benefit from this program. The USFS is willing to provide remote sensing images of the three Eastern Arc forest areas (the Taita Hills in Kenya, and the East Usambaras and Ulugurus in Tanzania) and to discuss local capability to conduct analyses beyond those sites. USAID/Kenya will collaborate with the USFS to monitor SO5 tropical forest focus areas in Kenya, including the Aberdares (Nyandarua) Range, Mount Kenya, and the Taita Hills.
- REDSO technical support for environmental compliance and training ensures that all USAID/Kenya programs comply with Reg. 216.

CUSTOMERS

SO5 customers are the men and women of communities in areas adjacent to Kenya's national parks, reserves, and other protected areas who manage resources that support the nation's wildlife, and realize tangible benefits from doing so.

Other customers are investors in the tourism industry. The communities adjacent

to parks and reserves will be encouraged to forge partnership deals with investors in the development of tourism-related businesses. SO5 customers are also those that use wood and charcoal for fuel, get water from remote water catchment areas, and use electricity from hydroelectric plants.

OTHER DEVELOPMENT PARTNERS

The Government of Kenya

The government of Kenya is a key partner. While there is concern over its governance of natural resource management in Kenya, there is nonetheless cause for optimism. The media are noticeably freer than in the recent past and regularly monitor difficulties in the NRM sector. Popular demand for better governance of natural resources is growing.

At the local level, interest from men and women is increasing for participating in and benefiting from the wise use of resources. Local constituencies for wildlife, for example, have grown thanks to the Kenya Wildlife Service's community conservation program. Kenya's infrastructure is recovering (albeit slowly), while currency exchange has become freer and import and export restrictions have become fewer. There are signs that the tourism sector—particularly inland wildlife tourism—is also slowly recovering.

The government of Kenya is actively promoting ecotourism, enhancing security in parks and reserves, piloting quotas for wildlife harvests, and promoting community management of resources. The GOK has enacted a new Environmental Management bill that has created a watchdog Environmental Management Authority, and has initiated discussions with stakeholders on the bill. The GOK has drafted a forestry bill, which awaits presentation and enactment, and has drafted a water policy, which is expected to be translated into a bill for presentation and enactment. All of these are positive developments toward better management of NRM by the government of Kenya.

The Kenya Wildlife Service

The KWS is working to get its internal management systems and financial house in order. The KWS has crafted a new mission statement (working closely with communities and other stakeholders) that recognizes the role of other partners in conservation of biodiversity. The KWS is also soliciting comments on its new mission statement from stakeholders in consultative sessions.

USAID/Kenya support has strengthened the KWS Community Wildlife Program's ability to adequately respond to the needs of communities and partners, and to empower men and women to act as equal partners in conservation. KWS' new management is showing keen interest in reviewing the draft wildlife management bill and has requested USAID support to lead consultative meetings with stakeholders for the vetting process. The bill will be presented to the government for review and enactment.

Bilateral and multilateral donors

Because of these positive developments, many donors are contemplating renewing support for investment in Kenya's NRM sector. Significant bilateral donors to the NRM sector include: the Netherlands, the United Kingdom, Japan, Sweden, Belgium, Finland, Germany, Denmark, and the U.S. In addition, Kenya receives support from multilateral funding agencies such as: the European Union (EU), the World Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP). Several of these donor agencies are engaged in protected area management, while the others have long-

term involvement in specific sub-sectors such as forestry, water, renewable energy, and soil and water conservation activities in areas of both high and low potential.

The EU has designed a US\$5 million biodiversity program that will be implemented concurrently with USAID's proposed activities. The Japanese have provided \$5 million for parks infrastructure (vehicles and education programs) and have funded a ¥11.25 million social forestry program. Belgium is currently implementing a BEG12.5 million program, which might be extended beyond 2000. DFID, the Germans, the Finnish, DANIDA, the Dutch, and the World Bank also have on-going activities in the sector, some of which are likely to be extended and which will be implemented concurrently with USAID's program.

Nongovernmental organizations

Kenya is home to many international and local NGOs with excellent reputations for their abilities to implement programs. The three largest international NRM NGOs—the World Wide Fund for Nature (WWF), the African Wildlife Foundation (AWF), and the World Conservation Union (IUCN)—are able to solicit external funding for NRM activities in Kenya. Others include: the International Council for Research on Agroforestry (ICRAF), the International Livestock Research Institute (ILRI), the International Centre for Insect Physiology and Ecology (ICIPE), the African Centre for Technology Studies (ACTS), the African Conservation Centre (ACC), the East Africa Wildlife Society, the Society for Protection of Environment in Kenya (SPEK), and others.

In addition, there are many community-based organizations (CBOs) working at the grass-roots level. The USAID program is targeting NGOs and CBOs to enhance their capacities to take on NRM initiatives.

There is good will for continued investment in NRM in Kenya, and funding for NRM is likely to triple or quadruple over the planned SO period.

RESULTS TO BE ACHIEVED

THE STRATEGIC OBJECTIVE

Strategic Objective 5: Improved natural resources management in targeted biodiverse areas by and for stakeholders

The proposed strategic objective will build on USAID/Kenya experience in COBRA and other projects. Success at the SO level is a necessary step to conserving the country's biodiversity for future generations of Kenyans and the global community. Recognizing that it is beyond USAID's ability to effect a measurable biophysical change in the conservation of biodiversity within five to eight years, the SO5 program focuses on improving NRM in targeted biodiverse areas. The program will work in areas adjacent to protected areas to bring about a positive change in the behavior of stakeholders in the management and wise use of natural resources. Gender differences with respect to NRM will be identified and addressed.

Development of the SO

The strategic planning process was initiated in February 1999 with experts from Kenya's NRM sector. During the first workshop, USAID's role and comparative advantage in the NRM sector were considered in detail, and an initial SO statement was crafted.

It was acknowledged that USAID/Kenya's comparative advantage includes its:

- Reputation for contributions to the wildlife sector and the promotion of effective partnerships within the sector.
- Experience in promoting NRM at the community level.
- Credibility and effective policy support in NRM issues.

Close consultation and collaboration with other institutions and donors will contribute to program success and enable the Mission to concentrate its resources in areas where it has comparative advantage. As part of the

strategy development process, a survey of other donor activities in NRM, including the forestry sector, was conducted.

The process considered several approaches. It also considered each program option in terms of technical approach, achievable results, accountability, and management burden. Some options targeted the conservation of ecosystems, some made biodiversity conservation the explicit focus, and others limited themselves to economic benefits and nature-focused enterprises. The following consensus emerged:

Sustainable conservation requires active involvement and ownership by female as well as male stakeholders. This in turn requires that the stakeholders realize benefits, economic and otherwise. The approach taken under COBRA was validated but was broadened to include non-economic benefits such as protection and conservation of sacred forests.

It was clear that the management of natural resources in Kenya—including wildlife conservation—has suffered from the absence of integrated approaches. Gains in wildlife conservation and economic benefits made under COBRA cannot be secured without attention to other natural resources such as soil, water, and forests.

It was also clear that resources do not allow for a program with national impact, particularly at the field level; resources need to be geographically concentrated for impact. SO5 is consistent with current NRM trends and policies in empowering communities and the private sector to participate in and benefit from the wise use of natural resources. The SO statement was developed through a consultative process, which identified goals and the comparative advantages of USAID investments. Terms used in SO5 are clarified below.

Improved natural resources management

The strategy uses a holistic approach to address a range of interconnected NRM issues facing communities and biodiversity conservation; it does not focus solely on wildlife. Improvements will focus on reversing, halting, or lessening the rate of unsustainable use of the natural resource base through an integrated management approach. For example, in areas where the program aims to increase stakeholder benefits from tourism revenues by improving wildlife numbers and range quality, it may be necessary to also address livestock stocking rates, or water availability for both wildlife and livestock. Realizing and sustaining the potential of Kenya's indigenous forests may require simultaneous investments in tourism, agroforestry within buffer zones, and sustainable harvesting of non-timber products. Where applicable, it may be advantageous to address more ecosystem-related issues; for example, where water is a limiting resource, improved NRM may require attention to upstream water use issues and policies.

Targeted biodiverse areas

Four priority areas were selected for USAID/Kenya's NRM program, including COBRA areas and adding the Masai Mara. The priority areas are:

- Laikipia-Samburu
- Greater Amboseli
- Coast regions including Taita-Taveta
- Greater Masai Mara

Identification of priority areas was based on the following criteria, which are not ranked in any particular order:

- Biological richness and uniqueness.
- Extent of threat to natural resources.
- Probability of impact in maintaining critical ecological processes.
- Potential for demonstrating innovative approaches with probability of stimulating broad, systemic changes, or probability of replication.
- Probability of immediate direct benefits to focus communities.
- Capacity and resources of USAID/Kenya's principal partners.

- Compatibility and potential for integration with other Mission investments, e.g., in democracy and governance.

By and for stakeholders

Stakeholders are local groups of communities, institutions, organizations, and individual men and women who have vested interests in improving the management of natural resources in a targeted area. Depending on the specific target site, stakeholders could include local governmental institutions, commercial enterprises, private groups and communal landowners, community-based organizations, and non-governmental organizations.

Convergence with USG objectives

USAID/Kenya's SO5 is completely convergent with the U.S. Mission's goal, articulated in the Mission Performance Plan: "Improve natural resource management in targeted biodiverse areas. Conserve Kenya's vital natural resources and unique biodiversity for the benefit of all its people and the world."

Convergence with GHAI objectives

Convergence between the SO5 program and GHAI conflict resolution goals lies in improving Kenyans' capacity for sustainable management of their natural resources that could otherwise be a source of conflict within Kenya and the region. The countries of the region share critical natural resources that include water (Lake Victoria) and wildlife and grazing areas. (Amboseli and Serengeti-Masai Mara savanna wildlife migrates across the Kenya-Tanzania border.) If these transnational resources are not properly managed in each country, food security will be threatened and competition for resource use may be the source of regional conflict. The activities proposed in SO5 enhance management of Kenya's natural resource endowment. Sustainable resource management directly leads to increased food security and reduces potential conflict. Furthermore, SO5 builds African capacity in the nature-focused tourism industry and promotes effective African participation in the industry's management and marketing.

USAID/Kenya's NRM program directly addresses food security by increasing rural incomes to alleviate Kenya's growing poverty while conserving Kenya's biodiversity. SO5 will support a range of incentives that increase household incomes by developing entrepreneurial skills for nature-focused businesses. Increased smallholder farmer production on forestry buffer zones will also lead directly to increased food security in Kenya and the region.

SO5 contributions to GHAI SO1, Strengthened African capacity to enhance regional food security

Many SO5 activities complement GHAI's SO1 and the Mission's SO2 activities by focusing on increasing the incomes of targeted communities through conservation of biodiversity. The implementation of sustainable NRM through SO5 will be promoted as one of the most cost-effective ways of increasing overall productivity, thereby increasing food security and reducing vulnerability to drought and dry spells. Specialists in crops, livestock, and forestry will be required to incorporate conservation in all projects and to look for ways of increasing production that also conserve biodiversity.

SO5 contributions to GHAI SO2, Strengthened capacity to prevent, mitigate and respond to conflict in the GHAI region

Environmental advocacy and participatory local decision-making based on monitoring and analysis promoted under SO5 will help reduce local, district, regional, national, and cross-border conflicts over resource use. Activities promoted under environmental advocacy will build African capacity to plan and mitigate conflict. Prevention of conflict and conflict resolution will be the focus of SO5-supported community projects in areas adjacent to protected areas. Conflict over the needs of humans versus wildlife will be included.

SO5 contributions to GHAI Special Objective 3, Improved access to regional information

Technology developed and information generated through remote sensing to monitor land-use changes at the farm level will serve as a model for future SO5 USAID/Kenya tree

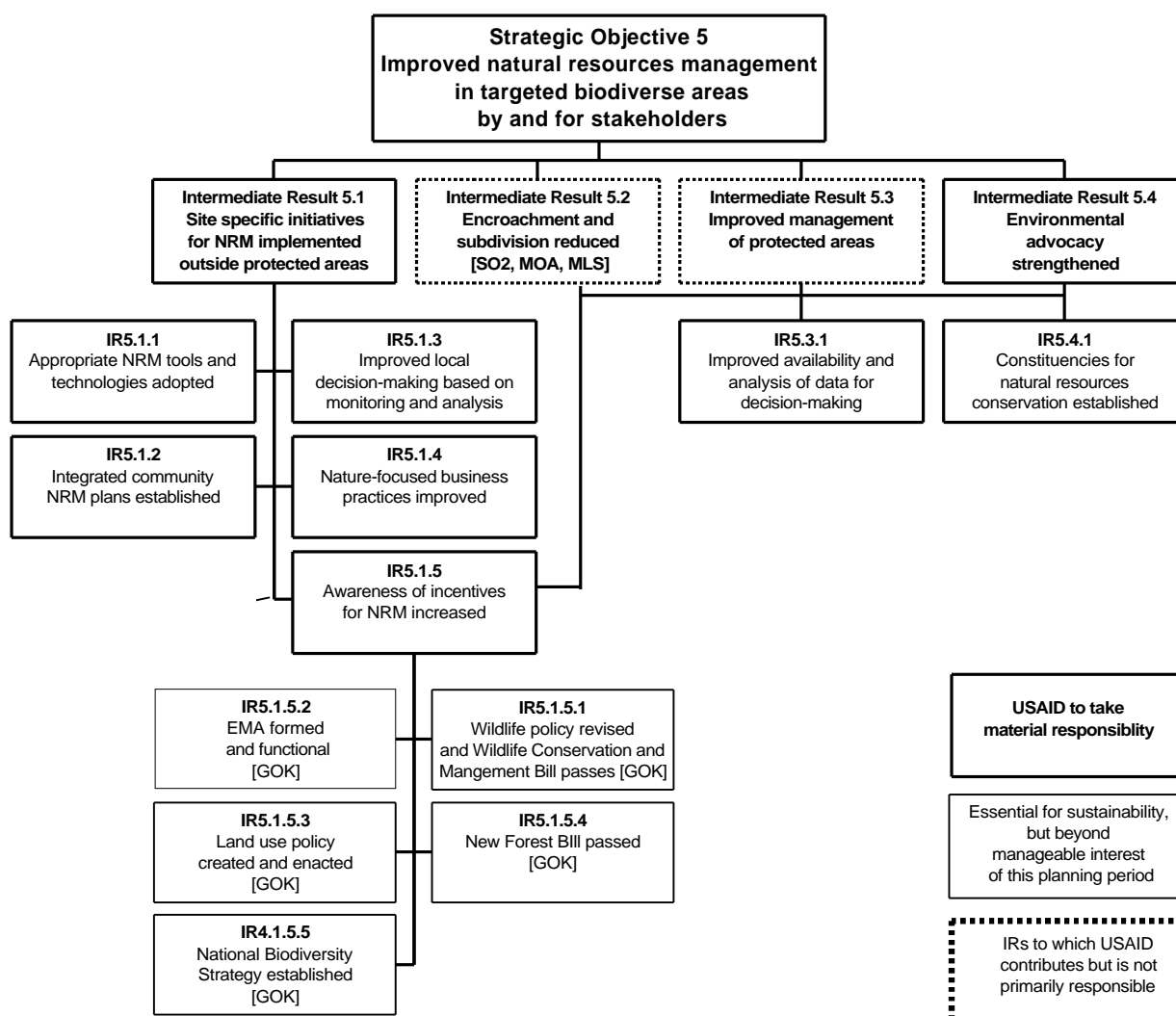
crops monitoring. USFS remote sensing images of the Eastern Arc forest areas in Kenya and Tanzania will be used in conducting analyses beyond these sites. Information will be shared with SO5 implementers working on reducing encroachment and subdivision and will be important for local decision-making. REDSO/ESA capacity-building support for WIOMSA (which covers Tanzania and Kenyan coastal resources) and USAID-supported regional seminars and conferences contribute to GHAI Special Objective 3 and will support the sharing of lessons learned and "better practices" in the region.

Convergence with GOK objectives

The objectives and activities outlined in SO5 complement GOK priorities. The I-PRSP's objective related to this sector is "To protect and enhance water, soil, and biodiversity conservation in catchment ecosystems." The document recognizes the importance of preserving Kenya's biodiversity and cites, in particular, the need to deal with habitat (including forest) degradation due to the impact this is having on Kenya's wildlife and biodiversity. The GOK acknowledged that if the degradation trends continue, this will threaten one of the country's major foreign exchange earners—tourism—and recognizes the impact this will have on the environment, the economy, and socio-political stability. The I-PRSP commits the GOK to improving the policy and legal framework to address encroachment and degradation and land, water, and forestry use management. It recommends several actions including the development of working partnerships with NGOs, the private sector, and other stakeholders in these efforts. Some planned activities identified in the I-PRSP are:

- Capacity-building at the national and community levels to value natural resources.
- Preparation of community action plans for biodiversity management and conservation.
- Development of an information data base on plant and animal species and their uses, including uses by communities.
- Environmental and biodiversity assessment and monitoring.

RESULTS FRAMEWORK



ASSUMPTIONS AND CAUSAL RELATIONSHIPS

Assumptions

Critical assumptions to achieve SO5 are:

- Disruptions from internal or regional conflict in priority areas or adjacent to protected areas will not be so extreme as to fundamentally undermine the program.
- That political will for policy reform and collaboration within the NRM sector will not deteriorate.
- That Kenya's macroeconomic policies and the political climate remain essentially supportive of the proposed objective. A stable and healthy macroeconomic environment is required to provide the government with resources to invest in development, public services, and infrastructure essential to the tourism sector, including roads and telecommunications. A stable economic environment also promotes lower interest rates and encourages the domestic and foreign investment that helps economic growth.

Causal relationships

USAID assistance will improve NRM in targeted biodiverse areas by focusing on areas outside of parks and protected areas, where significant changes in the NRM behaviors of local stakeholders can be made. The causal relationship takes into account the causes and effects occurring outside and within protected areas.

The primary assumption of this hypothesis is the availability and awareness of incentives favorable to improved NRM. Incentives will attract and motivate local communities, and individual men and women, to change their behavior regarding natural resources. These incentives include access and user rights and financial and social benefits.

Incentives create opportunities, but incentives alone are not sufficient to ensure behavior change. Behavior changes will require that individuals and communities have access to appropriate tools, technologies, information, and training, and incentives to use these to change their behavior.

Within each targeted area, specific NRM initiatives will be tailored to local needs and conditions. Examples include establishment of nature-focused businesses, partnerships to

implement NRM plans, and local initiatives that require planning and/or external partners. Underlying each initiative will be the principle that NRM should be by and for the stakeholders within the targeted area, including female stakeholders. This principle ensures that the activities supported in each area will be sustainable and benefit the local community.

The Mission believes that focusing only on behavioral changes within targeted areas will be insufficient to achieve the SO. Broader engagement of environmental advocates on the national and local level will be required to ensure broad support for NRM initiatives and the institutional changes necessary for long-term conservation of Kenya's vital biodiversity. Women need to be included in this engagement process.

The causal relationship includes two other changes to which SO5 will contribute without taking primary responsibility. One is improvement of sustainable agricultural activities and elimination of incentives for unsustainable land uses. In order to ensure gains in NRM, pressure from inappropriate agricultural practices will need to be mitigated in targeted areas. The GOK and others are working on these changes.

The other change essential to SO5 is improved management for the conservation of biodiversity within protected areas—parks and reserves. Most of the areas where USAID/Kenya will be working are adjacent to parks and reserves. Negative changes in the management of these areas will have detrimental effects outside their perimeters. SO5 assumes that the authorities managing protected areas are sufficiently capable of realizing their mandates. SO5 will continue to make modest contributions to these authorities and, where appropriate, foster cooperation between these authorities and local stakeholders outside of protected areas.

The chain of cause and effect described above, and further articulated through the intermediate results, is sufficient to achieve significant progress towards the SO within the five-year horizon of this strategy. For example, incentives already exist which can be more broadly exploited to improve NRM. However, the long-term vision includes a set

of policy and legal reforms to ensure that the gains made in this and future NRM programs are sustainable and amplified nationally. The Mission expects that some key reforms will be enacted during this strategy period, notably passage of the new Wildlife Conservation Act and the establishment of a National Environment Management Authority. The GOK enacted a new Environmental Management and Coordination Act in 1999 that established a watchdog body to be responsible for its implementation. The National Environment Management Authority will harmonize policies for conservation and management of natural resources while a draft Wildlife Bill is under review by the

KWS. USAID/Kenya intends to monitor progress on these and other reforms over the course of this program and, if adequate progress is made, the Mission may opt to engage in support of policy reform activities in future programs. Support will include carrying out studies that will inform policy and bill development as well as supporting stakeholder's consultation for proposed bills. The Mission will make every effort to ensure that women are included in the consultation process at all levels, and that the roles, expertise, and needs of women in conserving Kenya's limited resources are imbued in the process.

INTERMEDIATE RESULTS

Intermediate Result 5.1 Site-specific initiatives for NRM implemented outside protected areas

Within each priority area, specific NRM initiatives will be tailored to local needs and conditions, including the needs of women. By implementing these initiatives, communities will change their behaviors in favor of improved NRM. Environmental groups working at the district, regional, and national levels—including women's groups—will reinforce this grassroots transformation through their political and technical support for these initiatives (IR5.4).

The implementation of NRM initiatives combined with a reduction in land degradation stemming from agricultural encroachment (IR5.2) and improved management in protected areas (IR5.3) will generate improved NRM in by and for stakeholders in the target areas (SO5).

IR5.1 is directly focused on NRM by and for stakeholders; the ultimate customers for this result are members of communities in the priority areas. To the extent that stakeholders exist outside of these communities (e.g., regional development authorities and investors), IR5.4 ensures that these players are engaged and supportive of community initiatives.

In each priority area, active partnerships may be needed to increase the community's ability to actualize their NRM initiatives.

The Mission expects to see concrete agreements, such as joint ventures, Memoranda of Understanding for collaborative management, and contracts, by which communities will implement their NRM objectives. A combination of IRs described below will contribute to the achievement of IR5.1. The combination of interventions will vary from one target area to another, based on site-specific needs and conditions. For example, in some areas an enterprise development approach is feasible (IR5.1.4), and in others different initiatives are desirable.

IR5.1.1 Appropriate NRM tools and technologies adopted

Significant gains in NRM will require an influx of technical expertise and assistance to both men and women in communities engaged in NRM activities. Many of these tools and technologies already exist in Kenya but need to be disseminated from current users to new adopters. In some cases—for example, biophysical monitoring for local NRM decision-making, developing integrative buffer zone systems for agroforestry and wood lots—new tools and technologies will be developed and promoted to stimulate local NRM initiatives as well as the success of new nature-focused businesses (IR5.1.4). USAID has already contributed in significant ways in this area and will build on prior experience. For example, under the COBRA project, local fishing communities have adopted new fishing techniques that pose less

threat to marine parks. Through the USAID Global Environment Center's Biodiversity Support Project, alternative uses of forest resources are being adopted in coastal forests. And, working with international PVOs, USAID's program promotes more efficient agriculture, forestry and water management in arid and semi-arid areas.

IR5.1.2 Integrated community NRM plans established

Development of community-integrated NRM plans is a necessary means to achieving the SO in some areas. For each plan to be viable, a detailed implementation strategy will be required that brings together the local community (including women and women's organizations), potential investors, entrepreneurs, local government, and NRM authorities. The particular mix of each, as well as the NRM plan objectives, will vary according to local stakeholder requirements. Key roles of USAID's implementing partners in community NRM planning will include facilitating the adoption of norms for NRM implementation (pluralism by the rules) and for conflict management. USAID/Kenya, for example, through the cooperative agreement with the University of Rhode Island, has supported technical assistance to the Coast Development Authority, a GOK parastatal, for the development and implementation of a Kenyan coastal management strategy.

IR5.1.3 Improved local decision-making based on monitoring and analysis

The implementation of site-specific initiatives will result in improved NRM management at the local level and will require the availability and application of information in local decision-making, and include the input and expertise of both men and women. For example, a community NRM plan may require game counts and analysis to determine appropriate sustainable offtake quotas; a community tourist enterprise might require information on drainage and erosion to properly situate roads and buildings; integrated forest management may require close monitoring of off-takes and regeneration.

IR5.1.4 Nature-focused business practices improved

COBRA experience has shown that local initiatives, while a good start, can wither if tangible benefits from wildlife conservation are not forthcoming. Under some conditions, nature-focused businesses are a feasible approach to realizing these benefits. Examples include community wildlife sanctuaries with tourism development; game cropping; diversification of agroforestry production systems; and associations of boat owners/guides operating in national parks.

A key element in increasing the number of nature-focused businesses will be the articulation of economic and financial incentives (IR5.1.5) that already exist, and the identification of new incentives. To achieve IR5.1.4, USAID will help develop business skills to start or solidify nature-focused businesses resulting in improved management of nature-focused businesses. Overall, 15 percent of funds used under this activity will go to women's business initiatives.

IR5.1.5 Awareness of incentives for NRM increased

This will result in increased numbers of beneficiaries of SO5 activities. One key premise in this IR is that adequate incentives already exist and can be further promoted to motivate people to implement new NRM initiatives. COBRA's success has demonstrated this is the case. Desired changes in community and individual behaviors include the IRs mentioned above—NRM tool adoption, community planning, inclusion of women in NRM management processes, improved NRM decision-making, and new business creation.

Incentives for NRM range from access to natural resources and user rights to financial and social benefits. An example of an economic incentive is the ability to initiate and profit from nature-based tourist activities. Social benefits might include sustainable management of traditional medicinal herbs and the protection of sacred lands. Nonetheless, this SO will seek to expand the range of incentives for improved NRM in Kenya. For example, a new cooperative agreement awarded in 1999 includes policy and legal analyses for easements and the piloting of easements in a few areas.

IR5.2 and IR5.3 are the primary responsibility of other partners. In each case, the NRM program is contributing to their achievement, and these results will be monitored by USAID.

Intermediate Result 5.2 Encroachment and subdivision reduced

IR5.2 is a necessary response to a significant threat to potential gains in NRM. Perverse incentives in combination with inadequate technical inputs and investment for increased productivity and intensification are driving agriculture into areas more appropriately reserved for other uses. Extension of small-holder agriculture, expansion of large-scale cropping, and subdivision of rangelands (often followed by fencing) are repeatedly identified as major threats to sustainable NRM in priority wildlife areas. The problem exists not only in high-potential areas, but also in medium-potential and arid and semi-arid lands where low agricultural yields drive encroachment into forests.

Many of the results that USAID supports in this SO will contribute to IR5.2. Increased awareness of incentives for NRM (IR5.1.5), for example, will directly contribute to changes in favor of more profitable and sustainable NRM practices. Similarly, participatory community land-use planning (IR5.1.2) that includes the participation of women, and the promotion of alternative business activities (IR5.1.4), will contribute to reducing encroachment and subdivision. Efforts will be made to ensure that key information for improved NRM decision-making (IR5.3.1) is available to the relevant institutions working on IR5.2.

While SO5 will contribute to this IR, the required expertise and resources reside outside of it. Responsibility for this result must be shared by USAID/Kenya's SO7 IR7.1.3, other donor-assisted agriculture programs, and relevant government agencies such as the ministries of Agriculture and Lands and Settlement. The economic growth SO may support some research on land and resource use policy under IR7.1.3. At the center of the problem are lack of land and water use policy and subsequent enforcement.

USAID will closely monitor the mitigation of incentives working against improved

NRM as well as encroachment and subdivision in the priority areas. SO5 will seek to coordinate complementary efforts with SO7 and the other responsible parties; the Mission will not take full responsibility for the result.

USAID/Kenya will monitor progress of programs to reduce encroachment and subdivision which are supported by other donors in accordance with the guidelines articulated in the Agency's ADS. However, if USAID/Kenya achieves the results identified under SO7's IR7.1.3 and SO5's IR5.1, IR5.3, and IR5.3.1, this will be sufficient to achieve SO5. Although achievements at the SO level will be greater if other donors successfully support programs to reduce encroachment and subdivision, SO5 can be attained even if other donor programs are unsuccessful.

Intermediate Result 5.3 Improved management of PAs

The USAID/Kenya NRM program will focus on areas outside parks, reserves, and other areas where wildlife already is moderately secure. Nevertheless, in selecting areas of "biological richness and uniqueness," areas of intervention adjacent to and surrounding protected areas will inevitably be chosen. It is, therefore, essential to monitor, and to a limited degree support, the management of protected areas, lest unexpected degradation in these areas undermine progress in priority areas. These interventions will result in improved management of protected areas based on informed decisions by KWS management. Fortunately, a well-established partner, the Kenya Wildlife Service, has primary responsibility for biodiversity conservation in all parks and some reserves. For indigenous forests, the KWS collaborates with the Forest Department. For some reserves, county councils assume primary responsibility, sometimes collaborating with the KWS.

The option of investing in these partners is not precluded, so far it would support other IRs and decentralization of NRM.

The result is financed by the GOK and will be achieved by the KWS and the Forest Department. USAID/Kenya will collaborate with the KWS to help achieve this result. USAID will provide the necessary technical assistance to build the capacity of the KWS and the Forest Department to better manage the protected areas. However, USAID is not

financing any of the recurrent management costs, which is the major contribution necessary to the result, so it would be misleading to claim primary responsibility for this result. It is critical to reiterate that USAID will provide much of the technical assistance to develop a system to monitor improvement in the management of protected areas. The KWS already receives this kind of support. Consequently, the Mission will report on and has developed performance indicators for this result.

USAID/Kenya is working in close consultation with various implementing partners and donors to support KWS activities and is confident that the GOK will continue to fund KWS and Forest Department management costs. USAID has assisted the KWS to develop their strategic and working plans and will explore ways to support the Forest Department. USAID's technical assistance will continue to support their ability to become more effective managers.

IR5.3.1 Improved availability and analysis of data for decision-making

USAID/Kenya will contribute to further institutional strengthening of KWS monitoring and evaluation for improved management of parks and reserves. The availability of information will also be extended to implementers working on reducing encroachment and subdivision (IR5.2) and environmental groups involved in strengthening environmental advocacy (IR5.4). The success of the IR will be measured by number of decision-makers using data and information provided to, for example, changing or putting management plans in place for PAs and conservation areas.

Importantly, the Mission acknowledges that the KWS has a legislated mandate—which is not likely to change substantially in the near future—for wildlife conservation throughout Kenya. The KWS also must address issues of human-wildlife conflict wherever they occur. Consequently, though KWS priorities are within and SO5's priority areas are outside of protected areas, USAID/Kenya envisions KWS as a critical partner in this SO and one with whom the Mission will continue to work closely as a key NRM stakeholder. NRM improvements outside the protected areas will clearly enhance conservation within them.

Intermediate Result 5.4 Environmental advocacy strengthened

SO5 success requires that the program be implemented in conjunction with environmental groups that are advocating and directing improved NRM. IR5.4 aims to strengthen the ability of concerned male and female stakeholders to effect change in their access and rights to manage natural resources. While success in implementing site specific initiatives (IR5.1) will lead to change in the management of natural resources in targeted areas, local initiatives require an enabling environment in which lasting changes in environmental management may occur. Activities under IR5.4 will strengthen the capacity of environmental groups to articulate their positions and to coordinate with other groups to change unsustainable patterns of resource use. Ability to plan and mitigate conflict over use of resources will also be strengthened.

IR5.4 success will be measured by incremental achievements in the ability of groups to meet, share ideas, and work together to push for changes in NRM.

IR5.4.1 Constituencies for natural resource conservation established

Local concern and initiative for broader participation in NRM is growing in Kenya. USAID/Kenya will support civil society groups and processes aimed at demand-side approaches to strengthened environmental governance and support conflict mitigation over use of resources.

USAID/Kenya also aims to build capacity for governance, with a focus on sectoral coordination and improved decision-making through monitoring and analysis (IR5.3.1), such as the Mission has provided to the Kenya Wildlife Service under CSP 1996-2000. This assistance will be extended to community groups to strengthen their ability to identify realistic objectives and monitor their effectiveness. An example is the grant, supported by SO6, to the Amboseli/Tsavo Group Ranches Association, whose objective is to empower the community living adjacent to Amboseli National Park to improve the management of their natural resources.

ILLUSTRATIVE APPROACHES

The premise of the SO is that communities will take the lead in implementing programs. And that the GOK—working through the KWS, the Forest Department (FD), and development partners such as the Coastal Development Authority (CDA) and local authorities—will create the necessary enabling environment for the implementation of the programs. SO5 is flexible to adapt to different implementation scenarios.

The Mission considered several implementation mechanisms for long-term sustainability and will, in close consultation with other Mission SO teams, the KWS, the FD, the CDA, and other donors, tailor the specific mix of SO5 activities to the scenario that actually evolves. In each priority area, USAID/Kenya's implementing partners will promote incentives to motivate local communities, and individual men and women, to change their behavior in favor of improved NRM outside the protected areas. (In 1997, for example, SO6 funded the Amboseli/Tsavo Group Ranches Association to enhance their governance and accountability practices. Since the group's objective is to improve and lobby for better natural resources management for the benefit of their members, the activity represented an excellent opportunity for synergy between SO6 and SO5.) At the same time, SO7 and SO5 will provide support to monitor changes in protected areas and changes in agricultural practices, respectively. Below is a list of illustrative program activities.

Developing and promoting adoption of NRM technologies

- Introducing and promoting agroforestry and wood lot initiatives to ease pressure on protected areas, including working with communities to initiate community forestry plots on trust and private lands to provide wood, charcoal timber, and poles for

construction from the buffer zones. Since women are the primary collectors of firewood for domestic use, women's participation in these initiatives will be critical.

Decreased time collecting wood will free women for more productive activities, and perhaps increase household incomes.

- Promoting sustainable use of non-timber products—medicinal plants, nature-focused business (e.g., butterfly farming), and protection of sacred lands (e.g., *kayas*, traditional sacred places in forests). The participation of women is critical to all such activities.

- Promoting and introducing soil conservation and water harvesting techniques in targeted range areas, including working with targeted group ranches to adopt improved rangeland practices. The techniques and technology will be developed with ease of dissemination and adoption in mind.

- Promoting Integrated Coastal Areas Management (ICAM) practices, including protection of coral reefs, sustainable use of mangrove forests, sustainable tourism, sustainable fishing, sustainable water use, and waste management. Modest field support under CSP 1996-2000 to the University of Rhode Island for their Coast Resources Management (CRM II) Project will be increased and may include a grant to the Coastal Development Authority to enhance its capacity to manage expanded activities. The Mission will bring new partners on board to implement agroforestry and range rehabilitation technologies.

Enhancing planning and decision making on resource use

- Supporting planning initiatives, possibly including participatory project identification and resource planning such as range use and wildlife counts. These planning activities will take gender into account.

- Supporting studies to inform policy development and community initiatives such as integrated forestry management, wildlife counts, range monitoring, sanctuary management, etc.
- Supporting studies to inform policy development and community initiatives that enhance the role of women in natural resources management.
- Supporting policy and legal analysis initiatives for easements and pilot easements in a few target areas.
- Ecological monitoring in targeted parks and reserves. The Cooperative Agreement Grant (awarded in 1999 to AWF and Pact Inc., in collaboration with the KWS) and a the Mpala Research Centre (recently awarded a grant) and its partners will take responsibility for this activity. A grant to local authorities for management and ecological monitoring of the reserves under their control will be considered. Use of indigenous technical knowledge will be encouraged.

Promotion of investment in nature-focused businesses

- Supporting activities that promote entrepreneurial business development skills such as business plan development, stock inventory, bookkeeping, marketing, accounting, and business management, for women as well as men.
- Supporting nature-focused female- and male-owned business initiatives such as wildlife sanctuaries, controlled bird hunting, game farming, bee keeping, curio shops and

tented camps, and building capacity in eco-tourism management and marketing.

- Supporting activities promoting business partnerships, including promotion of entrepreneur and community joint investments, collaborative business management, etc. This activity will be implemented under the Cooperative Agreement with the Pact, Inc. and AWF coalition, in collaboration with the KWS.

Promotion of environmental advocacy

- Providing institutional support to women's and men's CBOs in priority areas. Supporting activities to enhance partnership development and networking among community groups and organizations.
- Supporting the formation of community voluntary organizations, including establishing a national wildlife forum.
- Supporting activities that educate men and women in communities on the new Environmental Management and Coordination Act.
- Educating male and female community and opinion leaders on environmental problems. This could also include working with parliamentary caucuses to address specific policy issues.

This activity will be funded through the cooperative agreement with Pact Inc. Additional support may permit a grant to the new National Environmental Management Authority to undertake environmental education awareness.

PROGRAM SYNERGIES

Synergies with SO6, Democracy and governance

Advocacy and governance

SO5 will build the capacity of community groups to lobby for improved NRM practices. SO5 will take advantage of parliamentary committees, which are supported by SO6, to bring NRM issues into public debate to influence legislation.

Under SO5, strengthening of community-based organizations will enhance accountability and good governance within local communities in target areas. SO5 will strive to improve management, introduce transparent operations, and establish proper book-keeping, accounting, and management methods to try to address governance and management problems of CBOs. This approach will help create grass-root awareness of the need for better governance and accountability from their local leadership. This, in turn, will contribute to the SO6 goal of improving governance and the distribution of power among the institutions of governance.

Synergies with SO7, Increased rural household incomes

Encroachment and subdivision of land

This result will be critical to SO5's long-term objective of improving natural resource management in Kenya. It is a shared result with SO7 and other development partners. While SO5 will monitor progress in reducing encroachment on protected areas and rangelands and subsequent changes in land use, SO7 will encourage adoption of sustainable agricultural practices in NRM target areas. The primary responsibility for this lies with the GOK. SO5 monitoring results will be used to inform policy makers and advocacy groups lobbying for appropriate land use policy.

Sustainable NRM tools and technologies

In SO5 target areas, sustainable NRM activities will be enhanced, including appropriate techniques to manage and improve soil fertility and reduce soil erosion. Agroforestry, soil conservation, and water harvesting techniques will be promoted. These techniques will contribute to increased smallholder agricultural productivity, increased household incomes, and poverty alleviation.

Medium and small enterprises

SO5's nature-focused businesses will benefit from SO7's micro- and small enterprise (MSE) capacity-building program. Nature-focused businesses will benefit from best practices developed under SO7.

Building CBO capacity

Community-based organizations (CBOs) will be supported to strengthen their capacity to engage in business and advocacy for improved NRM. The CBO capacity-building tool being developed with SO5 support will be available for use by business organizations that are supported under SO7. SO7 is also developing group businesses and will share approaches with SO5.

Synergies with SO3, Reduced fertility and transmission of HIV/AIDS

HIV/AIDS

With the growing recognition of HIV/AIDS' impact on the Kenyan economy, SO5 partners will be sensitized to include HIV/AIDS messages in their information packages to targeted communities. SO5-supported CBOs will be entry points to targeted communities for such messages. Where SO5 and SO3 have a common target area, such as the Kenyan coast, SO5 will explore opportunities to link SO5-supported communities and groups with ongoing SO3 activities.

Family planning services and information

Kenya's population is growing far faster than its food production capacity. This is resulting in higher demand for land, forcing encroachment into protected areas and adoption of unsustainable agricultural practices. In an attempt to reduce demand for land due

to population growth, SO5 will explore opportunities to include family planning messages and services in SO5 target areas. Modern family planning methods will be promoted. Health centers supported by the KWS will be used to improve family services and information.

JUDGING RESULTS

SUSTAINABILITY

Building on USAID/Kenya strengths

SO5 builds on strengths developed through USAID/Kenya's COBRA project and its experience in community-based conservation, sustainable agriculture, microenterprise development, monitoring, and policy-making in the agriculture and wildlife sectors. Good relationships exist with the KWS and other conservation partners. Potential partners with a Kenya presence are forging ahead in areas central to SO5, and the Agency itself collectively has much experience in these areas.

Building the capacity of communities to sustain the program

USAID/Kenya's approach to biodiversity and wildlife conservation is based on community-led initiatives that provide benefits to the community. This will remain a key element of IR5.1. The devolution of wildlife management will be furthered through collaborative management approaches (IR5.1.4), and the policy process (IR5.4.1). Monitoring (IR5.1.2 and IR5.1.3) will ensure that results are achieved and sustained in conserving biodiversity and contributing to reducing poverty. Capacity-building for local ownership of community-based NRM (e.g. of wildlife enterprises) is a key component under IR5.1.3.

SO5 is consistent with current NRM trends and USAID's policies of empowering local communities and the private sector to participate in, and benefit from, the wise use of natural resources. This will ensure that communities take an active role in designing, planning, and implementing program activities, and directly benefit from them. The entrepreneurial approaches to be adopted by SO5 will be demand-driven to ensure communities' sense of project ownership. Nature-focused enterprises and

businesses will take advantage of lessons learned in SO7's micro- and small enterprise program, which supports microfinance institutions and NGOs such as the Kenya Rural Enterprise Program and the K-REP Bank to provide financial services to micro-entrepreneurs.

Enhancing program synergy through donor coordination

A donor coordination group on environment and natural resources already exists, and USAID will continue to be an active participant. This group, however, is not functioning well and needs to be revitalized. Donor coordination meetings have been successful in the agriculture and health sectors but not in the NRM sector. There is a degree of coordination experience among donors, which can be focused on NRM. SIDA, USAID, DFID, and DANIDA have collaborated effectively in supporting agricultural production. JICA and FINNIDA have consistently supported forestry activities and water resource development. The World Bank, USAID, DFID, the EU, and GTZ have collaborated well in the Protected Area Wildlife Service (PAWS) project of the KWS. These are models worth emulating in the NRM sector. USAID/Kenya is currently in collaboration with the EU on the implementation of community-based NRM programs. USAID-supported Conservation of Resources through Enterprise (CORE) and EU-supported Biodiversity Conservation programs have already been established as coordination mechanisms. The Mission will continue to take the lead, as it did for the PAWS Program, working with other donors to revitalize NRM donor coordination meetings to ensure maximum synergy between their programs.

PERFORMANCE MONITORING PLAN

The Strategic Objective Team will track the annual performance of the SO and nine of the 16 IRs for which USAID is taking material responsibility. Four to five data points will be reported on as required in USAID/W R4 guidance. Performance indicators for each of these IRs are presented below.

The remaining seven of the sixteen IRs shown on the results framework fall outside of the Mission's primary responsibility. As described in the development hypothesis, two of the sixteen IRs (5.2 and 5.3) represent important changes within the causal logic that will be achieved primarily by other organizations. In the interest of technical rigor, these IRs have been clarified below and indicators have been included in the Performance Monitoring Plan solely for internal tracking.

Five IRs (5.1.5.1 through 5.1.5.5) represent policy and legal reforms essential to the

long-term sustainability of the program, but fall beyond the manageable interest of this strategic planning period. The government of Kenya must ultimately assume primary responsibility for each of these five policy and legal IRs. They are shown separately in the RF, as they are at different stages of development. The Mission anticipates some contribution to the achievement of IR5.1.5.1 (Wildlife policy revised and Wildlife Conservation and Management Bill passed)—an area where the Mission has a comparative advantage. The other four IRs have been shown in order to keep them on the “radar screen” in case conditions indicate opportunities for expanded USAID policy support in future years. USAID/Kenya is currently reviewing the PMP, developing data collection protocols, and establishing baseline data; this will not be completed until FY2001.

Result	Performance Indicator	Data Source	Baseline		Target (2005)
			Year	Value	
Strategic Objective 5 Improved NRM in targeted biodiverse areas by and for stakeholders	1. Percentage of target areas under improved NRM	1. DRSRS, progress reports, land surveys, KWS, CDA, FD, NMK	2001	TBD	TBD
	2. Number and type of stakeholders (institutions, NGOs, CBOs, and private sector organizations) in the target areas engaged in NRM	2. Progress reports, NGO and CBO records, district records	2001	10	100
	3. Number of people engaged in NRM in target areas (disaggregated by gender)	3. Progress reports, NGO/CBO records, District records	2001	TBD	TBD
	4. Incidence of land-use changes in targeted areas	4. DRSRS, progress reports, land surveys, KWS, CDA, FD, NMK, NGO and CBO records	2001	TBD	TBD

Result	Performance Indicator	Data Source	Baseline	Target	
			Year	Value	(2005)
Intermediate Result 5.1 Site specific initiatives for NRM implemented outside PAs	1. Number of local actions or initiatives implemented resulting in tangible change in the environment	1. Progress reports	2001	10	60
	2. Number of protocols for improved NRM implemented with other agencies including the private sector	2. Progress reports	2001	3	20
IR5.1.1 Appropriate NRM tools/ technologies adopted	1. Percentage of key stakeholders having adopted appropriate tools and technologies (disaggregated by type of stakeholder: land owners, communities, group ranches, gender, etc.)	1. Surveys, progress reports, NGO and CBO records, and district records	2001	TBD	TBD
	2. Number and type of conservation tools and technologies advanced	2. Surveys, progress reports	2001	TBD	TBD
IR5.1.2 Integrated community NRM plans implemented	1. Number of integrated community NRM plans implemented	1. Progress reports	2001	2	4
IR5.1.3 Improved local decision-making based on monitoring and analysis	1. Percentage of targeted decision-makers provided with monitoring and analysis data/information	1. Surveys	2001	TBD	TBD
	2. Percentage of decision-makers who report using monitoring and analysis data provided	2. Surveys, follow-up questions	2001	TBD	TBD
IR5.1.4 Nature-focused business practices improved and businesses generating revenue	1. Percentage of businesses adopting improved practices (disaggregated by business activity, business owner gender, and specific practice targeted by program inputs)	1. Surveys	2001	70%	90%
	2. Percentage of businesses generating increased revenue (improved business performance)	2. Surveys	2001	30%	50%
IR5.1.5 Awareness of incentives for NRM increased	Percentage of stakeholders who report awareness of potential benefits from sustainable NR-related activities, disaggregated by gender	Surveys, progress reports, NGO/CBO records, District records	2001	TBD	TBD
IR5.1.5.1. Wildlife policy revised and Wildlife Conservation and Management Bill passed	1. Wildlife policy revised: yes/no	1. KWS, GOK	2001	No	Yes
	2. Wildlife Conservation and Management Bill passed: yes/no	2. KWS, GOK	2001	No	Yes

Result	Performance Indicator	Data Source	Baseline		Target (2005)
			Year	Value	
Intermediate Result 5.2 Encroachment and subdivision reduced	1. Percentage of targeted area subdivided	1. Lands Office, land surveys,	2001	TBD	TBD
	2. Percentage of target areas excised from conservation management	2. DRSRS, land surveys	2001	TBD	TBD
Intermediate Result 5.3 Improved management of protected areas	1. Percentage of managers who report using data/information provided to make management decisions for targeted PAs (parks, reserves and adjacent areas)	1. KWS	2001	10%	100%
IR5.3.1 Improved availability and analysis of data for decision-making	1. Number of decision-makers using data and information provided	1. Partner organization reports	2001	TBD	TBD
Intermediate Result 5.4 Environmental advocacy strengthened	1. Degree of coordination among environmental groups occurring (information shared, regular meetings, joint planning, joint plan implementation, individual groups acting in support of group decision-making, networks)	1. Surveys	2001	TBD	TBD
IR5.4.1 Constituencies for NR conservation established	1. Number of constituency groups strengthened in advocacy and networking skills, disaggregated by target area, at regional and national level	1. Progress reports, NGO Registry, and/or National Council of NGOs	2001	TBD	TBD

SPECIAL OBJECTIVE 4

BOMBING RESPONSE PROGRAM

The August 7, 1998 bomb attack outside the American Embassy in Nairobi resulted in the catastrophic loss of lives, injuries to thousands, and destruction of businesses, buildings, and infrastructure. The American Embassy was located in the densely populated central business district, and the attack—which came at peak business hours—had a particularly devastating effect on workers and commerce. The deaths and injuries of so many working people have resulted in the loss of incomes for hundreds of households. The impact on Kenya’s already ailing economy was extensive.

Kenyans from all walks of life spontaneously rallied to assist in the emergency by helping to extricate victims trapped in the rubble, providing first aid, and transporting the injured to hospitals. Public and private hospitals in Nairobi contributed by treating

victims as necessary without consideration of payment. USAID/Kenya responded with a \$37,850,000 disaster assistance program.

The special objective was approved on December 18, 1998 for a period ending on September 30, 2001. However, USAID requested and was granted a one-year extension, to September 2002, for completion of the Bomb Response Program. The rationale for the extension was: a) the mental health counseling grant was not signed until May 1999, leaving insufficient time to provide adequate counseling to traumatized bomb victims; b) the education program required an additional year to provide a better opportunity for surviving parents to recover economically to a point where they can adequately finance their children’s education; and c) business training and loan programs for those disabled by the bombing require an additional year to be productive.

PROBLEM ANALYSIS

The bombing of the U.S. Embassy killed 213 people. It caused physical injuries to some 5,000 people and mental trauma to countless bystanders, co-workers, and families of the deceased and injured. In addition, it physically disabled over 400 persons. Approximately 250 businesses suffered losses as a result of damages to fixed assets and inventory. Sixty buildings

suffered damages, many of which required major repairs before they could reopen to their tenants. The Ufundi Cooperative House was totally destroyed, and the Co-Operative Bank Building rendered unfit for use without extensive rehabilitation. Both of these organizations have had to rent interim premises and forego the rental incomes that they previously received.

RESULTS TO BE ACHIEVED

Special Objective 5: Critical needs met for Kenyans affected by the Nairobi bombing and capacity built to address future disasters.

USAID worked closely with the government of Kenya, other donors, NGOs, and the private sector on assessing Kenya's needs for assistance to recover from this calamity. USAID's assistance is based on close monitoring of the government of Kenya's appeal for assistance and the Mission's independent judgment of what assistance is appropriate.

Results framework

The results framework, below, includes three intermediate results which contribute to the achievement of the Special Objective. They are described below.

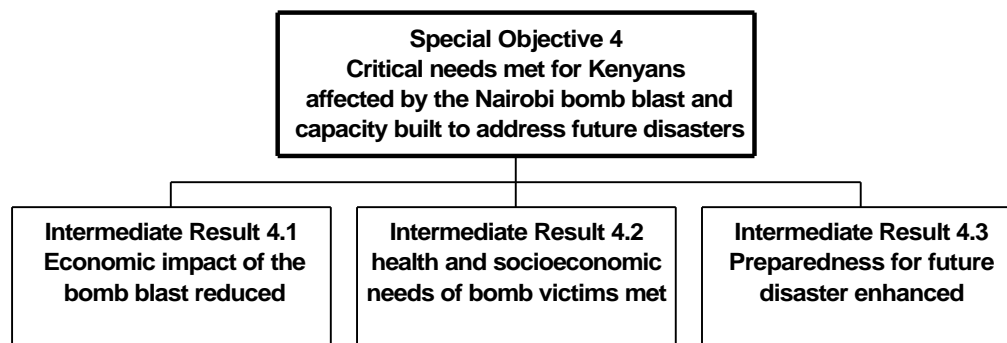
Assumptions and causal relationships

Assumptions

To achieve this special objective, one assumption must be satisfied and remain valid throughout the planning period: The government of Kenya will continue to strengthen the National Disaster Operations Center and medical emergency response capacities of the police, fire brigade, and ambulance services.

Causal relationships

The results framework of SPO5 consists of three intermediate results linked together and contributing to achievement of the special objective. IR4.1 and IR4.2 are logically linked and focus on the short-term needs of the bombing victims; IR4.3 focuses on preparedness for future disasters, because a clearly defined system of rescue operations was completely lacking immediately following the bombing. The health care system, in particular, was over-stretched and unprepared in many respects. Extricating victims and ferrying them to hospitals was ad hoc, and blood supplies were inadequate. USAID has reimbursed Nairobi area hospitals for treatment costs incurred and is financing medical follow-up and assistance to those disabled by the bomb. To reduce the economic impact of the bombing, USAID is assisting private businesses affected by the bombing, including rehabilitation and/or reconstruction of both private and government buildings damaged in the bombing. After meeting short-term medical and emergency needs, the program will strengthen the disaster response and preparedness programs of both the private sector and the GOK by financing training and supplying equipment to disaster response organizations.



INTERMEDIATE RESULTS

IR4.1 Economic impact of the bombing reduced

The bombing did considerable damage to the business district surrounding the Embassy. The following activities are being implemented under IR4:

Rehabilitating and reconstructing infrastructure

USAID/Kenya is rehabilitating the Coop Bank building has purchased a replacement building for the Ufundi Cooperative. In addition, assistance has been provided to over sixty building owners whose structures suffered damage in the blast.

Assisting private business owners affected by the bombing

USAID has provided approximately \$2 million in assistance to over 300 businesses which were affected by the bomb. The Mission is still addressing the issue of vehicles that were destroyed.

IR4.2 Health and socioeconomic needs of bomb victims met

The following activities are being implemented under IR4.2:

Reimbursing Nairobi-area hospitals for specified treatment costs

The August 7, 1998 emergency found some 5,000 victims arriving at the 18 hospitals in the greater Nairobi area. The hospitals were compelled on humanitarian grounds to serve anyone who was presented for treatment. Most victims were unable to meet the costs incurred. This situation resulted in many survivors denying themselves medical follow-up, because it was unclear in the early stages of the crisis how such costs would be financed.

USAID reimbursed Nairobi-area hospitals for the costs (not including costs already paid by insurance, other donors, etc.) connected with the treatment of both in-patient and out-patient victims of the bombing between August 7, 1998 and December 31, 1999. USAID is also funding the costs of medical follow-up, such as reconstructive surgery and psychological and social counseling.

Planning and organizing medical follow-up

The Kenya Ministry of Health, in cooperation with Nairobi-area hospitals, conducted a comprehensive recall and screening campaign to assess patients requiring medical follow-up treatment. The major categories of such treatment are:

- Reconstructive surgery, mainly cranial and facial.
- Eye surgery.
- Orthopedic treatment.
- Long-term psychological and social counseling.

Most patients can be adequately treated in local facilities, but some may require treatment abroad. (There are offers from several U.S. organizations to provide eye surgery at no charge.) Services such as long-term psychological and social counseling have been contracted locally.

Socioeconomic assistance to victims and families

Benefits to victims and their families paid by the government of Kenya's National Disaster Relief Fund were limited to burial costs and one-time compensation for a classifiable disability. USAID/Kenya is meeting needs for vocational and social rehabilitation training (for example, for those blinded), and payment of educational fees for children of deceased or disabled family breadwinners.

IR4.3 Preparedness for future disasters enhanced

The medical care network in Nairobi was, for the most part, able to handle the inundation caused by the August 7 1998 emergency. This point should be emphasized, since much of the early response from well-wishers around the world assumed that there was virtually no capability on the ground. The health care system was, nevertheless, over-stretched and unprepared in many respects. In particular, a clearly defined system of rescue operations was completely lacking. Extricating victims and ferrying them to hospitals was ad hoc. Blood supplies were inadequate. Specialized emergency medical skills were lacking even in the best-run hospitals. Mortuary services were chaotic. The National Disaster Operations Centre, which operates from the

Kenyan Office of the President, was established several years ago to coordinate all major disaster situations in the country. The coordination capacity of this center needs to be strengthened. Medical emergency response capacities of police, fire, and ambulance services require systems developments and other major upgrades. The following activities are planned for IR4.3:

Strengthening blood transfusion services

A reliable emergency blood supply system is an integral component of disaster preparedness. The bomb disaster revealed many weaknesses in the Kenyan blood supply system.

There is a need for interventions such as

- Formulating a national blood policy.
- Establishing blood transfusion center(s) to collect, process, and distribute blood products.
- Improving blood banking functions, including procurement, storage, use monitoring, and maintenance of equipment and supplies.
- Improving training and supervision of personnel; and establishing a blood donor recruitment program.

Strengthening emergency medical response capacity

The basic skills of workers involved in emergency medical care need to be improved, as does the coordination of emergency

medical response. Assistance in emergency medical services training (of groups such as ambulance workers and hospital casualty personnel) and of first line rescue workers (such as police) needs to be addressed.

USAID/Kenya is currently developing such a program.

Strengthening disaster planning and coordination

Technical assistance will be provided to the government of Kenya to:

- Strengthen the coordination and planning capabilities of the National Operations Centre and National Disaster Committee.
- Develop a disaster response plan of action.
- Improve disaster planning and preparedness at district and local levels.

Further funding and technical assistance will be provided to local non-profit agencies such as AMREF and others to develop their disaster response and preparedness programs. Both government and private sector assistance might be incorporated in an initiative from USAID's Office of Foreign Disaster Assistance (OFDA), Africa Regional Office. OFDA, through the American Red Cross, will support training in disaster preparedness.

APPROACHES TAKEN AND PROGRESS TO DATE

Intermediate Result 4.1 Economic impact of the bombing reduced

To date, USAID has provided 240 grants amounting to some \$2 million to businesses in Nairobi that suffered damage and/or lost equipment and stocks in the bombing. These grants are based on assessments of damage and loss conducted by KPMG Peat Marwick.

USAID has distributed nearly another \$2 million in 60 grants to owners of public and private buildings that were damaged by the bomb. USAID contracted Matrix Consulting Engineers were contracted to assess damages to buildings and to recommend assistance amounts. The Mission developed a policy, which provided a sliding scale of assistance to building owners based upon the size of the loss and the terms of insurance coverage. USAID contracted with Wilbur Smith Associates to assess the structural soundness

of the Co-Operative Bank Building. The Mission subsequently awarded a contract with the firm of Mugoya Engineering and Construction to rehabilitate the building and reconstruction is underway. In September 1999, a replacement building was purchased for the totally destroyed Ufundi House.

Intermediate Result 4.2 Health and socioeconomic needs of bomb victims met

Emergency medical needs

Seventeen Nairobi hospitals have been reimbursed \$1.6 million to defray the expenses of treating victims in the immediate aftermath of the bombing. In February 2000, over 750 bomb blast victims were screened by local and international teams for reconstructive surgery at Kenyatta National Hospital. Extreme medical cases that required specialized treatment were sent

abroad. Kenyatta National Hospital subsequently performed 388 reconstructive surgeries and was granted \$600,000 to defray expenses.

African Medical Research and Education Foundation (AMREF) received a grant of \$1.7 million to provide follow-up medical treatment to survivors, including reconstructive surgery, and the supply and fitting of prosthetic limb and hearing aids, etc. To date over 1,200 patients injured in the bombing have undergone and/or are currently receiving treatment.

A grant of \$1.4 million has enabled the Adventist Development and Relief Agency (ADRA) to provide therapy, equipment, and vocational training to rehabilitate over 400 people who were physically disabled by the bomb. Two special cases requiring surgery outside of Kenya have been successfully treated in South Africa and the United States.

Mental health needs

A USAID grant of \$148,000 enabled Operation Recovery to provide immediate post-bomb-blast counseling to approximately 7,000 victims. With a \$1 million grant, the International Federation of Red Cross and Red Crescent Societies (IFRC) has continued counseling to over 1,200 adults and 450 children affected by the bombing. They have also trained 143 teachers in counseling methodology. Special outreach programs have been designed for children and for those who live outside of Nairobi. In August 1999, IFRC gave this grant back and Amani

Counseling Centre took over the program for the next two years.

School fees

USAID has paid the school fees of 861 children who lost a wage-earning parent in the bombing. The IFRC was implementing this program but has recently withdrawn. USAID contracted with Ernst & Young, an accounting firm, to provide school fees until September 2002.

Intermediate Result 4.3

Preparedness for future disasters enhanced

USAID has given a grant of \$1 million to Family Health International to improve blood safety in Kenya through training and provision of equipment. The Mission has awarded a contract for the construction of two new blood safety laboratories—one in Nairobi and one in Kisumu—and is looking for three other sites.

In July 2000, USAID entered into a \$2.4 million cooperative agreement for the preparedness training of emergency medical personnel with the International Medical Corporation (IMC). The Mission will also support a program of with first line rescue workers, such as police, to improve their abilities to provide appropriate first aid and transfer to treatment facilities. IMC will provide emergency medical services training, as well as to work with government and local institutions to develop effective logistical and coordination capacity for emergency response.

PROGRAM SYNERGIES

The Bomb Response Unit has coordinated efforts, and received technical support from the staffs of SO7 and, SO3 as well as the program office. The Rural Household Incomes program assisted with the loan program to small businesses. The Population and Health staff implemented assistance to hospitals for surgery, recommended the blood safety program, and played an active

role in its design and implementation. There is a special synergy with SO3 since the blood safety program will address an important HIV/AIDS transmission route. The program office has provided supervision to ensure that bomb response activities conform to and complement USAID's regular programs.

SUSTAINABILITY

Sustainable activities of the special objective program include assistance to businesses and rehabilitation of damaged buildings and infrastructure. Both should be able to function indefinitely without further donor assistance. The blood safety program provides improvements to the infrastructure

and technical capacity of the GOK Ministry of Health, which will continue to operate the program after cessation of USAID inputs. The USAID Disaster Education and Community Preparedness Program will ensure that disaster response preparedness is sustainable.

JUDGING RESULTS

Result	Performance Indicators	Performance Target (1998-2002) 1998 Value	Data Source 2002
Special Objective 4: Meet critical needs of Kenyans affected by the Nairobi bomb blast and build capacity to address future disasters	1. Percent of bomb blast victims with emergency medical needs met	From 10 to 40%	Hospital records, MOH
	2. Number of organizations and hospitals with disaster preparedness capability	From 0 to 15	Contractor reports
Intermediate Result 4.1: Economic impact of the bomb blast reduced	1. Percent of damaged MSEs receiving grant or loan assistance	From 0 to 100%	USAID survey
	2. Percent of buildings repaired to pre-bomb condition	From 0 to 60%	USAID and Contractor records
Intermediate Result 4.2: Health and socioeconomic needs for bomb victims met	1. Number of hospitals in greater Nairobi reimbursed and claims settled	From 0 to 18	Contractor reports
	2. Number of bomb blast victims receiving counseling and follow-up medical services	5,000 to 10,000	MOH and Grantee reports
	3. Number of victims receiving continuing medical and vocational services	2, 000 per year	
	4. Number of children of bomb victims having school fees paid	800 per year	
Intermediate Result 4.3: Preparedness for future disasters enhanced	1. Safe and adequate blood transfusion systems exist in Nairobi and selected provincial sites	From 1 to 5	Contractor reports

PART III RESOURCE REQUIREMENTS

PROGRAM FUNDING

This section estimates the financial resources needed to achieve the results described in USAID/Kenya's 2001-2005 Integrated Strategic Plan. Resource requirements for USAID/Kenya are based on the control level as outlined in the parameters cable (see Annex I) from USAID's Africa Bureau.

Table 1 shows program resource requirements by strategic objective at the parameter control level of \$29.6 million for FY2001 through FY2005. At the control level, SO1 funding is \$3.0 million for the five-year

planning period, SO7 funding is \$7.6 million, SO3 funding is \$15.0 million, and SO5 funding is \$4.0 million.

Table 4 summarizes planned budget allocations by USAID/Kenya strategic objectives and Agency goals over the Integrated Strategic Plan period. Table 4 also indicates how investments in Kenya meet Agency priorities. Table 5 shows requirements for technical support from AID Washington by strategic objectives during the five-year period.

MISSION REQUEST

The Mission's program resource request makes the case for an increase above the parameter control level. This section also includes the proposed Plus-Up funds of \$15 million for HIV/AIDS. Should the Mission get the proposed additional funding above individual SO control levels, the following activities will be added to this Strategic Plan.

Strategic Objective 6 Democracy and governance (With an additional \$1 to 2 million per year)

At \$4.0 million per year

- USAID/Kenya would continue the DG (demand side) small grants program at its current level of \$2.0 million per year.
- Parliament would still be the only major institution of governance to be assisted.
- Work on improving the electoral process would be more comprehensive, working through international partners to strengthen electoral administration and political parties.
- The Mission would undertake its program to improve the quality of investigative reporting and media coverage of political and economic issues.

At \$5.0 million per year

- USAID/Kenya would expand to assist other institutions of governance, such as the judiciary, local government, or the Kenya Anti-Corruption Authority. At the \$5.0 million per year level, the Mission would implement the entire proposed results framework.

Strategic Objective 7 Economic growth (With an additional \$1.0 million beyond the parameter control level)

- Support to the previously-funded ATRIP activity promoting the Seed Trade Association of Kenya would continue for their excellent work in networking in the region to promote critical seed trade and support regional food security objectives. Estimated funding for continued support of this activity is approximately \$150,000 per year for an additional three years.
- Development of a program in the Northern Arc (Kenya, bordering on Uganda, Ethiopia, and Somalia) to complement the Ethiopia Southern Tier Initiative. The focus would be

on development of market opportunities for pastoral livestock, and would work in close collaboration with USAID/Ethiopia, OFDA/ARO, and REDSO/ESA. Estimated funding would be \$300,000 for the first year and \$200,000 per year thereafter for a minimum of three years. Results would be an increased understanding of interventions that reduce risk in this highly vulnerable population, and in the longer term, reduced need for emergency food and non-food aid during drought-related crises.

- Increase outreach of MFIs and provision of business development services to encourage MSE development. With additional funding, SO7 could go into more rural areas, including the ASAL areas. This would require an additional funding of approximately \$200,000 per year to bring along two new MFIs per year. Results would be significantly expanded service coverage, and increased employment and incomes in rural areas.
- Increased funding to build on the existing microfinance and microenterprise pilot projects in areas with high prevalence rates of HIV/AIDS as a way to strengthen coping mechanisms of families. Estimated funding would be additional \$200,000 per year for the period of the strategy.
- Small-scale physical market infrastructure development in small market centers to facilitate agricultural trade in those commodities that will be supported by USAID programs. This will result in significantly improved movement of goods, decreased transaction costs (for example, reduced waiting time). Many marketplaces constructed in the past with USAID funding are still functioning and are models in small but efficient rural town markets. Estimated funding would be \$100,000 per year over the strategy period.

Strategic Objective 3 Population and health (Including \$2.0 million beyond the parameter control)

Parameter control level

The parameter control level allows \$6.5 million for population, \$6.5 million for HIV/AIDS, and \$2 million for child survival for the years 2002 through 2005. While this level will allow SO3 to meet its minimum

targets for family planning service delivery, HIV/AIDS, and child survival, as shown in the results framework and PMP, the Mission believes that this budgetary level is below what is required for the program.

Mission request level

The Mission request level for SO3 is an additional \$2 million annually above the parameter controls for the years 2001 through 2005. At this level, preferred budget allocations would be \$7.2 million for population, \$7.5 million for HIV/AIDS and \$2.3 million for child survival. This request level is still far below what it was prior to 1995, when the levels in this sector averaged \$20.0 million annually. At this request level the following additional outputs could be realized:

Family planning

At the Mission request level of \$7.2 million for population, new, intensive efforts in geographically-based service delivery, refocused technical assistance to improve quality of care, and expansion into the new area of family planning social marketing, would be adequately funded. In particular, the social marketing of hormonal contraceptives, launched in February 2000, would be scaled-up from the current pilot program level. Service delivery, which would target under-served, hard-to-reach areas, would be expanded and opportunities for synergy with other parts of the program, for example HIV/AIDS, would be expanded.

HIV/AIDS

At the Mission request level of \$7.5 million, intensive community-based programming that has been developed as a model for replication within HIV/AIDS programs and for family planning service delivery would expand to additional geographic areas where they are badly needed. Likewise, TRUST condom social marketing would receive the additional monies needed to develop new messages and expand coverage. A program to socially-market voluntary counseling and testing (VCT) services, for example, could be developed. Policy activities to assist the newly formed National AIDS Control Council would be funded.

Child survival

The additional child survival monies at the Mission request level would be targeted to continue the Bungoma District Initiative, which has piloted innovative methods to better manage childhood illness and malaria, and to continue the social marketing of bed nets. Child survival funds also support the Mission's modest efforts to improve health sector reform efforts. At the \$2.3 million level, USAID/Kenya, a leader in cost-sharing support, would design an expanded program of assistance designed to help the public sector in FY2001.

HIV/AIDS Plus-Up level for Kenya

As mentioned above, there is a possibility that USAID/Kenya may receive as much as \$15 million annually in HIV/AIDS, tuberculosis, and malaria funds. According to AID/W, parameters that will guide funding allocations include earmarks and directives to: focus on work with NGOs and PVOs, including faith-based organizations, the private sector and educational and research institutions; AIDS orphans, including education; mother-to-child transmission; and HIV/TB interconnectedness. In general, program components that the Mission would support include: primary prevention; basic medical care and home- and community-based support; AIDS-affected families and children; capacity-building; and multisectoral efforts. Food aid and HIV linkages will be encouraged where appropriate. In devel-

oping a plan to use this new funding, the Mission will undertake extensive consultations with the government of Kenya and other partners and stakeholders. Nevertheless, based on initial conversations with several partners and USAID/W, the Mission has defined the kinds of activities appropriate for USAID to undertake in Kenya. All of these activities fall within the scope of the new Strategic Plan of the National AIDS Control Council (NACC). In addition, they follow the general guidelines outlined above.

Finally, most activities will use current partners to either expand existing USAID activities or undertake new activities to fill gaps in areas where the Mission has not been able to work due to funding constraints. At the same time, the Mission hopes to develop relationships with several new partners and agencies to enlarge the range of the program into a few new intervention areas.

Strategic Objective 5 **Natural resources management**

USAID/Kenya does not request funding for NRM above the planning/control level of \$4 million, unless a portion of those funds is earmarked for purposes beyond the results described in this strategy.

Special Objective 5 **Bomb response**

This special objective was fully funded in FY99.

WORKFORCE AND OE BUDGET REQUIREMENTS

The following section provides estimated workforce and operating expense (OE) requirements for the planning period. The parameter control level is based on OE requirements of six U.S. direct hire (USDH) full time employees; OE requirements according to the parameter control for the planning period are \$4.25 million. This is over \$300,000 less than the R4-provided figure of \$4.6 million.

Table 2 presents USAID/Kenya's workforce requirements for the planning period. While this table is based upon the parameter control level of six USDHs, it is important to note that this level includes two positions for the executive office (EXO), which also supports REDSO/ESA and the Office of Foreign Disaster Assistance (OFDA). Workforce levels show 100 OE-funded foreign service national employees (FSNs). Of those 100 FSNs, 80 (or 80 percent) are allocated to EXO to support the complex, while only 20 (nine of which are in Controller's Office) implement the program.

The Mission recognizes the operating expense funding constraints facing the Africa Bureau and the Agency. However, to implement the proposed strategy, the Mission needs a minimum of eight USDHs. Top priority is to restore the USDH controller position. The next priority is for a USDH Democracy and Governance Officer.

Controller position

USAID/Kenya is the only Mission in the Africa Bureau with no controller and an OYB of over \$10 million. The Controller's Office manages the Mission's estimated annual OYB of \$30 million, the PL480 program of \$15 million, OE of \$4.25 million, local currency equivalent to \$20 million, and supplemental funding of \$38 million (FY1999 only) for responding to the

bomb blast—and still maintains accountability. With increases in the audit ceiling, few audits will be required, necessitating closer oversight of recipients by the controller's office. In addition, the Mission's efforts in the DG program, to build capacities of local NGOs, has significant impact on the controller's office. With over 35 active DG grants (and more on the way), the controller's office bears a heavy burden of conducting and supervising recipient audits for these many grants. The decision to delete the controller position seems to have been made on the basis of USAID/Kenya's location in the same city as REDSO's Regional Financial Management Center (RFMC), apparently assuming that the RFMC could take over the work of Kenya's controller. But RFMC is already overburdened and cannot provide USAID/Kenya the equivalent of one full-time USDH controller.

Democracy and governance officer

Kenya is at the crossroads in its democratic transformation. This is probably the Mission's most critical portfolio, given Kenya's development needs. The staff in this office needs a USDH leader. Both the Supervisory Program Officer and the Director provide guidance but are spread too thinly to do the job. Hiring a program-funded PSC is a temporary expedient that robs scarce funding from the DG program budget. Given the sensitivity of democracy and governance in Kenya, the Mission's democratic agenda needs to be guided by a USDH with a professional background in the democracy area. In the absence of this position, the Mission risks its ability to help Kenya make a successful democratic transition to the post-Moi era.

Additional staffing requirements for Plus-Up funding

Significant new AIDS monies for the Mission will require additional staff to ensure that funds are managed effectively, from both technical and financial management perspectives. The SO3 team may require one additional professional staff

member (e.g., TAACS). Other SOs may require additional staff to manage and oversee new programs in cross-cutting areas, such as democracy and governance, micro-enterprise, and natural resource management. The controller and EXO functions may need to be expanded if the Mission's program in the HIV/AIDS sector grows substantially.

Summary Operating Expense Budget, FY2000 to FY2005, in millions

Staffing Level of Six U.S. Direct Hires, Exchange rate of Ksh/78 to U.S.\$1

Budget	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Projected¹	4.250	4.250	4.250	4.250	4.250	4.250
Target	4.250	4.250	4.250	4.250	4.250	4.250
Difference	(0)	(0)	(0)	(0)	(0)	(0)
Projected²	NA	4.250	4.250	4.339	4.781	5.183
Target	4.250	4.250	4.250	4.250	4.250	4.250
Difference	NA	(0)	(0)	(89)	(531)	(933)

¹ Projection with all cost-saving measures (discussed below) incorporated and additional cuts made where necessary to meet target budget.

² Projection of actual requirements, e.g., full funding of FSN pay increases at ten percent, NXP, and training.

Note: While the above projections for 2001 and 2002 would indicate that funding is sufficient for the Kenya mission, for the complex as a whole, which includes REDSO requirements, there remains a significant shortfall in the overall budget for those years. The Mission has applied some of the Kenya budget in 2001 and 2002 to cover complex NXP/EXP purchases and personnel costs that would normally be covered by REDSO. Nevertheless, there remains a shortfall for the complex.

Background

The R4 submitted in spring 2000 painted an extremely bleak picture of USAID/Kenya's operating expenses, especially when REDSO and Kenya budgets were considered together. Of particular note were high security guard and personnel costs. Without some major changes in the funding and cost picture, the Mission would have had to eliminate one of its SOs.

Fortunately, the picture has brightened significantly since then, thanks to several important changes. Chief among these are:

- Strengthening of the dollar against the shilling, which was good for the Mission budget but indicated continued problems in the Kenyan economy. (See discussion below.)
- A much-reduced guard bill as a result of a new contract, which cost 40 percent less, and a reduction in the number of guard posts.
- Reduced rental costs are the result of holding rentals to little or no increase, acquisition of four residential properties, and

the planned move to a Mission-owned office building in 2003.

- Other aggressive funds-saving measures. These include reducing overtime by 50 percent over previous years as the Mission has settled in its IOB; moving to the lodging-plus-per-diem method for travel; identifying less costly supply sources; and shifting staff from OE to program funding where possible and appropriate.

These savings for the complex are projected to be \$1.7 to 1.9 million annually. However, offsetting them is the reduction in USAID/Kenya's target budget from \$4.596 million (in the January 2000 R4 guidance) to \$4.25 million (in the ISP guidance) as well as significant increases in the costs of utilities and fuel. The latter—due to inflation in the sector (the increase in the world-wide price of fuel) and the need to run Mission electrical generators during the on-going drought—are estimated to result in an increase of \$125,000.

Considering this offset, the projected net savings are \$1.3 to 1.5 million from the OE

complex R4 budget, welcome news, certainly, but still considerably short of the \$1.9 million deficit for the complex projected in the April 2000 R4. So, despite the impressive savings, the complex will require additional funding, starting with the restoration in 2002 of the \$4.596 million target for USAID/Kenya provided in the R4 guidance.

2001 and 2002

Despite what appears to be a balanced budget for USAID/Kenya in 2001/2002, for the complex as a whole, which includes REDSO, a projected shortfall of several hundred thousand dollars remains, even after cost-saving measures are implemented, including a reduction in REDSO's USDH staffing to 18. To reach the budget level would require that USAID/Kenya limit NXP/EXP procurement, travel, and more seriously, hold the line on FSN salary increases in 2001 and possibly in 2002. For 2002, the FSN salary increase is likely to be below the projected inflation level and will begin to erode the Mission's competitive position, jeopardizing the Mission's heavy investment in staff. The Mission, therefore, needs additional funds.

2003, 2004, and 2005

Without additional funds or changes in the exchange rate, the situation becomes even more serious in 2003, and critical in 2004 and 2005. Spending on NXP would be held to near zero (only replacement computer equipment would be procured in 2004 and 2005); there would be little or no money for training, overtime, promotions, or awards; pay increases for FSNs would be held to five percent, and travel would be severely limited. The bottom line is that in order to sustain operations, the Mission or complex would again be faced with reducing or eliminating an SO at the end of 2003.

Detailed notes:

Exchange rate

At the time of the R4, the exchange rate was conservatively expected to average around Ksh/70 to the dollar. However, despite an IMF agreement, the shilling has continued to weaken. The average exchange rate for October 2000 was in around 78 to 79. As a result, the Mission has used the rate of 78 for

the ISP budget. Savings for the complex over the R4 should be around \$600,000.

Personnel Costs

The decline of the Kenya shilling reduces the dollar costs of the Mission's FSN personnel costs. Moreover, following the new funding guidance, the Mission has also converted additional project staff to program funding and plans to convert approximately a fourth of its EXO FSN staff to program funding in 2002. The latter step will save \$270,000 in OE but eats into the program budget. Even this measure, however, would fail to get the Mission to the target, so it is necessary to reduce planned pay increases to five percent from 2003 onward, cut overtime in half and completely eliminate it in 2005, and reduce funding for promotions, awards, and emergency requirements. Likewise REDSO has limited the increases to five percent in 2002 and 2003 and can only cover step increases in 2004 and 2005. This measure also puts the Mission at odds with some other agencies at post that have the funds for higher increases budgeted. While this measure gets USAID/Kenya to the target, it is unrealistic and would quickly render the Mission noncompetitive in the marketplace. It will also effect the lives of the Mission's large FSN workforce as salaries fail to keep pace with projected inflation. Note: The above tables do not reflect funding for a Controller, which the Mission considers essential to maintain adequate management and control. The Controller would add a projected \$140,000 annually to the budget requirement.

Guard costs

The good news is that the Mission will now realize a yearly savings of \$120,000 in its guard costs. The savings result from an estimated 40 percent reduction in guard contract expenses and a reduction in the required number of guard posts as a result of security enhancements on housing compounds. (These changes will reduce REDSO costs as well. However, in their ISP budget, REDSO had assumed some assistance from Washington in meeting in the security costs, thus the effects *vis-à-vis* the REDSO ISP budget are minimal.) The budget numbers assume that costs for surveillance services

TABLE I

Program resource requirements by strategic objective

Parameter Control Level (\$29.6 million)¹

FY2001-2005, in \$US millions

Strategic Objective	2000	2001	2002	2003	2004	2005
Strategic Objective 6: Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance						
Development assistance fund						
Economic support fund	3,000	3,000	3,000	3,000	3,000	3,000
	1,350 ²	0	0	0	0	0
Strategic Objective 7: Increased rural household incomes	8,296	7,600	7,600	7,600	7,600	7,600
Strategic Objective 3: Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services	18,395	15,000	15,000	15,000	15,000	15,000
Strategic Objective 5: Improved natural resources management in targeted biodiverse areas by and for the stakeholders	2,407	4,000	4,000	4,000	4,000	4,000
Special Objective 4: Meet the critical needs of Kenyans affected by the Nairobi bombing and build capacity to address future disasters	0	0	0	0	0	0
Education for development and democracy initiative	1,500	0	0	0	0	0
Total OYB levels	34,948	29,600	29,600	29,600	29,600	29,600
PL 480 Title II	14,575	15,000	12,000	12,000	12,000	12,000
Operating Expenses	4,250	4,250	4,250	4,250	4,250	4,250

¹ Kenyan Mission program funding includes no additive G Bureau or Core funds for the five-year plan.² Includes \$650,000 appropriated in FY1999 and \$700,000 appropriated in FY2000.

TABLE 2

USAID/Kenya Parameter Control Level
With six full-time USDH employees
 FY2001-2005

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	Total
Directors' office	1	1	0	0	0	2
Office of program development and analysis	1	0	0	6	2	9
Democracy and governance office	0	0	3	1	5	9
Office of population and health	1	0	2	1	9	13
Agriculture, business, and environment office	1	0	1	3	12	17
Bomb response unit	0	0	1	0	3	4
Controllers office	0	0	0	9	0	9
Executive office	2	1	0	80	0	83
Totals:	6	2	7	100	31	146
TAACS	1					
PASA	2					
Fellows	1					
OE Requirement for this scenario	FY00	FY01	FY02	FY03	FY04	FY05
(\$ millions)	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250	\$4,250

Notes:

During the planning period, effective FY 2001, the Mission is proposing the following changes if OE remains straight-lined:

- 1) One economic position in PDA converted to program-funded.
- 2) Two OE-funded secretarial position in ABEO converted to program-funded.
- 3) One program assistant position in ABEO converted to program funded.
- 4) No fellow in the out years beyond FY2001.
- 5) The two PASAs and the other staff in the Bomb Response Unit will be phased out after Special Objective 5 ends in FY2002.

TABLE 3**Operating Expenses, Request I**

Exchange Rate at \$1=Ksh/78

OC	Item	FY2000 \$	FY2001 \$	FY2002 \$	FY2003 \$	FY2004 \$	FY2005 \$
11.8	Special personal services payments						
	US PSC salaries	122,671	134,500	138,535	142,700	147,000	151,400
	FN PSC salaries	1,808,958	2,094,818	2,199,572	2,245,941	2,433,943	2,496,204
	Subtotal OC 11.8	1,931,629	2,229,318	2,338,107	2,388,641	2,580,943	2,647,604
12.1	Personnel benefits						
	USDH benefits						
	Educational allowances	98,936	104,630	126,230	137,415	154,418	159,808
	Cost of living allowances	—	18,000	18,900	19,800	10,395	10,915
	Home service transfer allowance	700	700	2,100	700	700	700
	Quarters allowance	—	—	—	—	—	—
	Other miscellaneous USDH benefits	—	—	—	—	—	—
	FN PSC benefits						
	Payments to FSN voluntary separation	—	—	—	—	—	—
	Fund FNP						
	Other FSN benefits	37,893	20,000	20,000	20,000	20,000	20,000
	IPA/detail-in/PASA/RSSA benefits	—	—	—	—	—	—
	Subtotal OC 12.1	137,530	143,330	167,230	177,915	185,513	191,423
21.0	Travel and transportation of persons						
	Training travel	53,627	40,000	40,000	40,000	—	—
	(See also line 25.2 on staff training)						
	Mandatory/statutory travel						
	Post assignment travel, to field	7,474	9,266	28,578	3,817	10,069	10,355
	Assignment to Washington travel	937	7,380	17,323	3,237	3,129	8,231
	Home leave travel	39,647	6,394	6,592	13,257	40,908	14,027
	R&R travel	8,212	27,431	14,098	32,873	11,749	38,952
	Education travel	—	—	—	—	—	—
	Evacuation travel	7,506	15,000	15,000	15,000	10,000	10,000
	Retirement travel	3,331	—	—	—	—	—
	Pre-employment invitational travel	—	—	—	—	—	—
	Other mandatory/statutory travel	—	—	—	—	—	—
	Operational travel						
	Site visits, headquarters personnel	14,042	15,000	15,000	15,000	—	—
	Site visits, mission personnel	26,923	25,000	25,000	25,000	15,000	15,000
	Conferences, seminars, meetings, retreats	61,442	55,000	55,000	55,000	29,551	9,237
	Assessment travel	—	—	—	—	—	—
	Impact evaluation travel	—	—	—	—	—	—
	Disaster travel, to respond to specific disasters	—	—	—	—	—	—
	Recruitment travel	—	—	—	—	—	—
	Other operational travel	16,216	15,000	15,000	15,000	10,000	10,000
	Subtotal OC 21.0	239,355	215,471	231,591	218,184	130,406	115,801
22.0	Transportation of things						
	Post assignment freight	25,800	29,870	92,298	31,689	32,640	33,619
	Home leave freight	55,400	33,250	88,057	36,060	126,058	38,256
	Retirement freight	25,000	—	—	—	—	—
	Office furniture & equipment freight	34,118	47,000	26,000	31,800	20,000	20,000
	Residential furniture & equipment freight	7,010	38,299	15,132	21,124	3,000	3,000
	Subtotal OC 22.0	147,328	148,419	221,487	120,673	181,698	94,875
23.2	Rental payments to others						
	Office space	49,978	48,000	40,000	—	—	—
	Warehouse space	7,815	8,000	8,000	8,000	8,000	8,000
	Residences	151,296	104,600	109,900	115,300	121,100	127,200
	Subtotal OC 23.2	209,089	160,600	157,900	123,300	129,100	135,200

Operating Expenses, Continued

OC	Item	FY2000 \$	FY2001 \$	FY2002 \$	FY2003 \$	FY2004 \$	FY2005 \$
23.3	Communications, utilities, and miscellaneous charges						
	Office utilities	28,606	30,000	31,500	33,075	34,729	36,465
	Residential utilities	61,600	65,000	68,250	71,663	75,246	79,008
	Telephone costs	42,179	45,000	45,000	45,000	45,000	45,000
	ADP software leases	—	—	—	—	—	—
	ADP hardware leases	—	—	—	—	—	—
	Commercial time-sharing	—	—	—	—	—	—
	Postal fees, other than APO mail	3,000	3,000	3,150	3,308	3,473	3,647
	Other mail service costs	—	—	—	—	—	—
	Courier services	6,472	6,500	6,825	7,166	7,525	7,901
	Subtotal OC 23.3	141,857	149,500	154,725	160,211	165,972	172,020
24.0	Printing and reproduction	2,994	2,000	2,100	2,205	2,315	2,431
	Subtotal OC 24.0	2,994	2,000	2,100	2,205	2,315	2,431
25.1	Advisory and assistance services						
	Studies, analyses and evaluations	—	—	—	—	—	—
	Management and professional support services	—	—	—	—	—	—
	Engineering and technical services	—	—	—	—	—	—
	Subtotal OC 25.1	—	—	—	—	—	—
25.2	Other services						
	Office security guards	54,417	65,000	65,000	65,000	65,000	65,000
	Residential security guards	203,347	112,000	112,000	112,000	112,000	112,000
	Official residential expenses	—	—	—	—	—	—
	Representational allowances	2,681	3,000	3,000	3,000	3,000	3,000
	Non-Federal audits	—	—	—	—	—	—
	Grievances and investigations	—	—	—	—	—	—
	Insurance and vehicle registration fees	2,094	2,200	2,200	2,200	2,200	2,200
	Vehicle rental	—	—	—	—	—	—
	Manpower contracts	44,194	40,000	42,000	44,100	46,305	48,620
	Records declassification and other records services	—	—	—	—	—	—
	Recruiting activities	—	—	—	—	—	—
	Penalty interest payments	—	—	—	—	—	—
	Other miscellaneous services	52,060	40,000	40,000	40,000	40,000	40,000
	Staff training contracts	33,631	35,000	35,000	35,000	35,000	35,000
	ADP-related contracts	—	—	—	—	—	—
	Subtotal OC 25.2	392,424	297,200	299,200	301,300	303,505	305,820
25.3	Purchase of goods and services from Government accounts						
	ICASS	174,410	199,667	209,650	220,133	231,140	242,696
	All other services from other government accounts	—	—	—	—	—	—
	Subtotal OC 25.3	174,410	199,667	209,650	220,133	231,140	242,696
25.4	Operation and maintenance of facilities						
	Office building maintenance	25,022	12,000	12,600	13,230	13,892	14,586
	Residential building maintenance	20,547	30,000	31,500	33,075	34,729	36,465
	Subtotal OC 25.4	45,570	42,000	44,100	46,305	48,620	51,051
25.6	Medical care	2,000	2,000	2,000	2,000	2,000	2,000
	Subtotal OC 25.6	2,000	2,000	2,000	2,000	2,000	2,000

Operating Expenses, Continued

OC	Item	FY2000 \$	FY2001 \$	FY2002 \$	FY2003 \$	FY2004 \$	FY2005 \$
25.7	Operations and maintenance of equipment and storage of goods						
	ADP and telephone operation and maintenance costs	303	5,000	5,250	5,513	5,788	6,078
	Storage services	—	—	—	—	—	—
	Office furniture and equipment repair and maintenance	84,501	40,000	40,000	40,000	40,000	40,000
	Copier SVS						
	UPS SVS						
	PABX SVS						
	Lift and air CON SVS						
	Vehicle repair and maintenance	37,257	23,000	23,000	23,000	23,000	23,000
	Residential furniture and equipment repair and maintenance	4,393	4,000	4,000	4,000	4,000	4,000
	Subtotal OC 25.7	126,454	72,000	72,250	72,513	72,788	73,078
25.8	Subsistence and support of persons (by contract or government)	—	—	—	—	—	—
	Subtotal OC 25.8	—	—	—	—	—	—
26.0	Supplies and materials	321,486	315,000	210,000	239,000	180,000	180,000
	Subtotal OC 26.0	321,486	315,000	210,000	239,000	180,000	180,000
31.0	Equipment						
	Purchase of residential furniture and equipment	41,832	90,500	23,500	60,500	—	—
	Purchase of office furniture and equipment	66,674	10,995	14,160	5,120	—	—
	Purchase of vehicles	73,700	86,000	46,000	56,000	—	—
	Purchase of printing and graphics equipment	—	—	—	—	—	—
	Purchase of ADP and telephone hardware	107,669	56,000	36,000	36,000	36,000	36,000
	Purchase of ADP software	843	—	—	—	—	—
	Subtotal OC 31.0	290,719	243,495	119,660	157,620	36,000	36,000
32.0	Lands and structures						
	Purchase of land and buildings and building construction	—	—	—	—	—	—
	Purchase of fixed equipment for buildings	—	—	—	—	—	—
	Office building renovations and alterations	2,249	—	—	—	—	—
	Residential building renovations and alterations	51,900	30,000	20,000	20,000	—	—
	Subtotal OC 32.0	54,149	30,000	20,000	20,000	—	—
42.0	Claims and indemnities	33,000	—	—	—	—	—
	Subtotal OC 42.0	33,000	—	—	—	—	—
Total Budget		4,249,993	4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
Budget level			4,250,000	4,250,000	4,250,000	4,250,000	4,250,000
Shortfall			0	0	0	0	0

TABLE 4

Program Summary by Agency Goals
Parameter Control Level (\$29.6 million)

Agency Goals	Broad-based economic growth and agricultural development encourages	Democracy and good governance strengthened	Human capability built through education and training	World population stabilized and human health protected	The world's environment protected for long-term sustainability	Lives saved, suffering associated with natural or man-made disasters reduced, and conditions necessary for political and economic development reestablished	Total
SO6: Sustainable reforms and accountable governance strengthened to improve –the balance of power among the institutions of government Development Fund for Africa		15.0					15.0
SO7: Increased rural household incomes Development Fund for Africa	38.0						38.0
SO3: Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services Development Fund for Africa				75.0			75.0
SO5: Improved natural resources management in targeted biodiverse areas by and for stakeholders Development Fund for Africa					20.0		20.0
SO4: Meet the critical needs of Kenyans affected by the Nairobi bombing and build capacity to address future disasters Economic Support Fund						0.0	0.0
Totals	38.0	15.0	0.0	75.0	20.0	0.0	148.0

TABLE 5:

Technical support requirements from AID/Washington

Strategic Objective	2000	2001	2002	2003	2004	2005
SO6: Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance	1. Develop scope of work for parliamentary strengthening	1. Technical assistance in developing an electoral environment monitoring unit	1. Pre-election assessment 2. Review judiciary	1. Mid-term review of strategy 2. Development of a post-Moi program	1. Support for decentralization scope 2. Development of a judiciary scope	
SO7: Increased rural household incomes in selected sectors	1. SO design AFR/SD AFR/EA G/EGAD	1. Activities design and performance monitoring plan (global) EG 2. AFR/SD Refine income proxy 3. BHR Integration of Title II		1. Mid-term evaluation (global)		
SO3: Reduce fertility and the risk of HIV/AIDS transmission through sustainable, integrated family planning and health services		1. Global population health and nutrition (G/PHN) field monitoring 2 person weeks 2. AFR/SD design new health sector reform project 3 weeks	1. Global population health and nutrition (G/PHN) field monitoring 3 person weeks	1. Global population health and nutrition (G/PHN) APHIA evaluation 3 person weeks	1. Global population health and nutrition (G/PHN) field monitoring 3 person weeks	1. Global population health and nutrition (G/PHN) field monitoring 2 person weeks 2. APHIA program follow-up and design 4 person weeks
SO5: Improved natural resources management in targeted biodiverse areas by and for stakeholders	1. SO design AFR/SD 2. Environmental threats analysis G/ENV	1. Forestry activities design 2. Baseline data analysis 3. Forestry earmark indicators development	1. Mid-term evaluation of Conservation of Resources through Enterprise	1. Mid-term review AFR/SD, G/EGAD G/ENV	1. Conservation of Resources through Enterprise evaluation 2. Mid-term evaluation of forestry activities	
SO4: Meet the critical needs of Kenyans affected by the Nairobi bombing and build capacity to address future disasters						

PART IV ANNEXES

ANNEX 1

USAID/W PARAMETERS CABLE

ANNEX 2

ENVIRONMENTAL THREATS AND OPPORTUNITIES ASSESSMENT

KEY TRENDS AND PRIMARY THREATS

This report provides an overview of key trends and highlights the primary threats and opportunities in Kenya's environment and natural resources sector. A review of environmental sustainability in the USAID/Kenya Integrated Strategic Plan is also presented, with particular attention to tropical forests and conservation of biodiversity.

Institutional and socioeconomic framework

Kenya is experiencing difficult times, not only in maintaining a healthy economy, but in her society and environment as well. The population, increasingly infected with HIV/AIDS, is nevertheless growing at an estimated 2.2 percent per year—far faster than growth in food production or the economy. The under-five mortality rate for children—which had been declining for half a century—is rising steeply. Average GDP growth, which had been 6.5 percent per year in the 1970s, dropped to 2.3 percent in 1997 and 1.4 percent in 1999. Management of public resources has been poor, and increasingly politicized and driven by the self-interest of the “haves” at the expense of the “have nots”. Development assistance has declined dramatically in the last decade, as donors have agreed that poor governance has rapidly eroded their development achievements. Poverty shackles at least 43 percent of the population, and agriculture and livestock still form the main source of livelihood of the Kenyan people. Kenyans, who attach strong importance to land, have an average of less than a fifth of a hectare per rural inhabitant for cultivation—an

amount well below the average for the rest of the continent.

This, therefore, is the context for the environmental problems described below. These negative trends are magnified by inadequate planning, lack of sustainable land use policy, and ineffective governance. There is a need for an improved set of policies supporting conservation and equitable natural resources management in Kenya, as well as an attitudinal change in support of sustainable development.

Ecological systems and land use trends

Overview

The most serious underlying threats to Kenya's natural resources today are population pressures, inappropriate land tenure and land use policies, lack of awareness about the benefits of wildlife, and government and other decision-makers' inattention to the issues. Additional causal factors of environmental degradation—particularly conversion of land to agricultural use—affects every ecosystem and region of the country.

The most endangered ecosystems in Kenya are forests, wildlife habitats, and freshwater and coastal wetlands. Coral reefs will be increasingly threatened if development, pollution, and sedimentation from upstream agricultural areas are not slowed. High potential agricultural areas risk losing productivity due to excessive subdivision and poor soil management. Conversion of range land to agriculture, and division of forests, wetlands, and marginal lands threaten traditional livelihoods, such as pastoralism, and push people farther into

wildlife habitats. These and other factors underlie steep declines in Kenya's pastoralist rangelands, wildlife populations, water quality, and forests.

Wildlife

In most of the country's arid and semi-arid lands—about 80 percent of Kenyan territory—wildlife and livestock numbers are declining due to rangeland degradation and fragmentation. Migration corridors are being fenced and farmed in many districts. Rapid growth of human populations in some key wildlife areas will have serious detrimental effects on wildlife. For example, in the Masai Mara ecosystem, the human population is growing at an annual rate of seven percent. In the Mara, protection efforts are drawing local communities together and making it possible for wildlife numbers—of some species and in some areas at least—to increase. In other areas, however, encroachment for livestock grazing, forest cutting, and agricultural use is increasing. The capacity of the responsible agencies to protect these areas—particularly the range areas required by migratory wildlife—is in question.

These trends in the wildlife sector are likely to have serious impacts on vital revenues from tourism. If trends continue, vital species and globally important wildlife migrations could be lost forever.

Freshwater and coastal resources

The Kenyan economy depends on both its freshwater and coastal resources. A number of Kenya's aquatic systems are recognized internationally for their unique ecological attributes and bird, wildlife, and marine species migrations, and they support major tourist industries. But they are fragile ecosystems, and 80 percent are unprotected.

Kenya is endowed with richly diverse coral reef systems, which support critical fisheries and stabilize the coastline, but increasing pollution from inland soil sediment, oil spills, industrial dumping, and human waste threatens the reefs. Over-extraction of marine resources and inadequate controls on tourism add to the pressure on coral reefs.

Fresh water is under threat from unsustainable extraction, pollution from agricul-

tural chemicals and industrial wastes, and increasing sedimentation in dams.

Kenya's population is growing most rapidly in water-rich areas, leading to competition for control of water in wildlife areas, agricultural lands, and coastal areas. In the struggle for water, stronger forces usually win over weaker, perhaps more sustainable, subsistence-oriented users. Government institutions responsible for protecting water are not adequately supported and lack mandates to draw the agricultural, forestry, and industrial sectors into meaningful dialogues. The impact of degraded water quality on human health is not well understood. Integrated water resource management is, therefore, largely absent.

Forest resources

Forests are rapidly being depleted by conversion for agriculture and are being declassified as protected areas for political reasons. They are being degraded by fuel wood collection, excessive timber and non-timber product collection, and mismanagement of tree plantations. Wood constitutes the vast majority of domestic fuel, and Kenya's rapidly growing population puts forests under extreme pressure.

Forests are also the only protection for Kenya's watersheds; when they are gone, downstream water quality will decrease and sedimentation and flooding will increase. Density and acreage of native hardwoods and indigenous fruit trees is decreasing rapidly. Coastal mangrove areas have decreased by an estimated 70 percent since 1900. Some farm-based tree resources are increasing, which may reduce future pressures on nearby forests, but such efforts have been totally inadequate and mismanaged. Depletion of forests will affect Kenya's soil fertility and retention, the ecological health of streams and rivers, the productivity of coastal fisheries, the diversity of plants and animals, and human health.

A promising new Forests Bill was recently released for comment. It addresses some of the issues, but it is not expected to have the enforcement capacity to reverse any of these discouraging trends for several years.

Agricultural and land resources

Agriculture employs 70 percent of Kenya's workforce, but the country's high population density and rapid growth rate make demand for land extremely high. All arable land is vulnerable to "land grabbing"—shady transactions converting public lands to private lands. Subdivision of lands held in common, and conversion of forests, wetlands, and arid and semi-arid lands to permanent agricultural use is degrading the environment in many areas. Traditional pastoralism is also constrained by reduced grazing areas, scarcity of water, competition for water, and low market value of livestock. Official land use and tenure policies are ambiguous and do not support planning approaches that would help alleviate these problems.

Soil is another lynchpin resource showing negative trends. Rural migration from high-to-low potential areas, overgrazing, and lack of access to appropriate soil management techniques are contributing to declining soil productivity, erosion, and sedimentation in inland and coastal waters. However, some areas where agroforestry methods are being adopted are showing gains in soil fertility.

Energy and urban resources

Kenya's cities and towns are growing. Even desert areas are seeing slums go up in rings around city centers. As they do, existing water supplies, forests, electricity resources, sewage systems, and transportation services are all increasingly strained. Wood for use as a domestic fuel is a major cause of forest degradation in Kenya, and dams for hydro-electricity generation are negatively impacting aquatic ecosystems and downstream agricultural lowlands. In many urban areas,

modern city services are insufficient and poorly maintained. In the absence of waste removal systems, untreated municipal and industrial wastes go directly into street gutters and urban waterways, and then into natural freshwater and coastal ecosystems. Such direct ecological links between urban and rural areas are not widely recognized.

Conclusion

Degradation of land, water, forests, and the urban environment will have severe consequences to the health of Kenyans. Kenya's ecosystems—agricultural, rangeland, forest, and aquatic alike—face potentially catastrophic degradation if swift remedial action is not taken. Kenya's biodiversity likewise faces critical consequences if changes are not enacted. Since the Kenyan economy is highly dependent on its agriculture, livestock, and tourism, the future of the country and its people is in peril.

Despite this grim scenario, there is cause for optimism. The media are freer than in the past, and they regularly cover environmental crises and scandals. Popular demand for better governance of natural resources is growing. At local-levels, interest is increasing for the wise use of resources. Thanks to the Kenya Wildlife Service's community conservation program, local constituencies for preservation of wildlife have grown. There are signs that the tourism sector—particularly inland wildlife tourism—is slowly recovering. Key institutions are working to put internal management systems in order, and knowledgeable people in the environmental community are hopeful for Kenya's future prospects.

FAA SECTION 117/118/119 ASSESSMENT

USAID/Kenya's Integrated Strategic Plan supports programs in population and health, democracy and governance, agriculture and microenterprise development, and natural resources management. Through careful design, synergies between program activities will ensure environmental sustainability of Mission activities. The Mission's proposed

agriculture program addresses environmental and related social sustainability issues. The biodiversity program takes a proven community-based approach that includes forest conservation activities. The environmental requirements of USAID/Kenya's Strategic Plan are spelled out in ADS 201.5.10g and are derived

from provisions of the Foreign Assistance Act (FAA).

Environmental sustainability

USAID/Kenya recognizes that concern for the environment and wise management of the natural resource base are absolute requirements of any successful development program. Section 117 of the FAA, *Environment and Natural Resources*, dictates that efforts be made to maintain (and restore) natural resources upon which economic growth depend, and to consider the impact of USAID's activities on the environment. The legal requirements of the FAA are reflected in USAID's *ADS Chapter 204 Environmental Procedures*, which guides users on the application of 22 CFR Part 216. Regulation 216 codifies the Agency's procedures to ensure that environmental factors and values are integrated into the AID decision-making process. USAID/Kenya conducts assessments accordingly, to ensure that its environmental priorities are incorporated in planning, achieving, and monitoring results. 22 CFR Reg. 216.9 allows for:

- (a) bilateral or multilateral environmental studies regarding the proposed action(s), or
- (b) concise reviews of the environmental issues involved including summary environmental analyses or other appropriate documents, in lieu of environmental assessments otherwise required by USAID environmental procedures. This assessment follows option (b).

Tropical forestry and biological diversity

FAA sections 118, *Tropical Forests*, and 119, *Endangered Species*, codify specific U.S. interests in forests and biological diversity. They require that all country plans include analyses of the actions necessary in that country to conserve biological diversity and tropical forests and the extent to which current or proposed USAID actions meet those needs. Section 118/119 analyses are specific legal requirements of all USAID operating unit strategic plans. 22 CFR 216.5 requires USAID to conduct assistance programs in a manner that is sensitive to the protection of endangered or threatened species and their critical habitats.

Translating the intent of the above legal requirements into a broad strategic planning approach, the ADS provides a general

priority-setting framework for missions to use in determining which environmental threats and opportunities to address. (See 201.5.8; and Supplementary References, Joint Planning and Guidelines for Strategic Plans, and Technical Annex B Environment, dated February 1995.) The priority-setting process is intended to guide the setting of environmental strategic objectives and to inform strategic objectives in other sectors. Most missions fulfill these requirements in varied ways and to various degrees, largely due to the vague nature of the guidance mentioned above. In late 1994 the Africa Bureau disseminated a document called *Consideration of Biological Diversity and Tropical Forestry in the Context of Country Program Strategy Planning in the Bureau for Africa: Review and Guidelines*, by Sandra Russo. This document provided a focused interpretation of the law. It has been used by USAID/Kenya as a starting point for the assessments below, especially for 118/119.

Environmental sustainability assessment

In December 1999, the Mission prepared a concept paper describing its new strategic thinking. Sustainability assessments for each strategic objective are based on the proposed ISP and on discussions within each SO team, focused on the following questions:

- What is needed to ensure environmental sustainability during implementation of each strategic objective program?
- What is each strategic objective team planning to do or avoid to address those needs?
- Where the team has elected not to incorporate an environmental activity or approach, what is its rationale for that decision?

Strategic Objective 6:

Sustainable reforms and accountable governance strengthened to improve the balance of power among the institutions of governance

As a strategic objective addressing USAID's global goal in democracy and governance, SO6 has included no explicit environmentally-focused activities or approaches. Overall improvements in governance and civil society participation in Kenya can,

however, only impact positively upon the country's environmental resource base, both in relation to Mission programs and more broadly. However, significant reforms in public sector environmental management are needed, as discussed earlier in this annex. Natural resources results pursued by the Mission have evolved to emphasize community involvement as key to decision-making for resource use. SO6 activities are helping communities learn to devise win-win strategies to using their natural resources. Pursuit of these results will continue to engage local citizen groups in hands-on training in democratic decision-making.

The NRM sector is one of the most highly politicized in Kenya. Large-scale depredations of forest resources have been permitted, even facilitated, by the Government to build power bases through preferential treatment of some groups and as local patronage. Since ownership and regulation of many natural resources in Kenya are under the control of local authorities (for example, forests, fisheries, and minerals of low value, such as sand) the results the Mission will pursue in SO5 could be jeopardized by unresponsive local governments. SO5 provides information to community groups to help them lobby constructively for preservation of natural resources.

Strategic objectives 1 and 4 will build linkages for environmental sustainability in Kenya. Possible synergies with proposed environment programs are noted below:

IR6.1, helping civil society organizations effectively demand reforms and monitor government activities, is pertinent to SO5's new natural resources management program, which strengthens the ability of concerned stakeholders to effect change in their access and rights to manage natural resources. Strategic objective team leaders will assess the extent to which targeted SO6 stakeholders and organizations are similar or complementary to those targeted in IR4.4. Groups might achieve synergistic results for DG and NRM objectives and make focused and efficient use of USAID Mission resources.

IR6.1 may also be important in mitigating conflict; many conflicts in Kenya today are over control of natural resources. The Mission will seek examples to address

through the DG program, such as community-based organizations working to resolve conflicts over access to water, pastoral land, or high potential agricultural zones.

IR5.2, reducing encroachment and subdivision, and a host of lower-level IRs regarding environmental management, land-use and forest policy, and the national biodiversity strategy, will benefit by enhanced accountability of public institutions. IR6.2, increasing the independence of selected government institutions, and IR6.4, better informing public and political actors, both promote this work in Parliament. SO6 will develop new implementation mechanisms, incorporating environmental review and compliance elements.

The SO6 team has decided not to address explicit needs in environmental sustainability because (a) the host-country political and bureaucratic context is not conducive to productive investment in strong cross-sectoral programming involving NRM; (b) the need for basic democratic reforms is extremely pressing, (c) an environmental focus is not an SO1 comparative advantage, and (d) funds are limited. However, opportunities will be sought to identify and foster cross-sectoral synergies which would bolster the sustainability of the program overall.

Strategic Objective 7:

Increased rural household incomes

Poverty is a major "driver" of environmental degradation. SO7 addresses poverty by helping raise the incomes of agricultural households. The program will work through improving technology in targeted sub-sectors, for example in dairy and horticultural production in high potential agricultural areas.

Population pressures and inappropriate land tenure policies have led to rapid subdivision of high potential agricultural areas into plots too small to support most livestock and agricultural activities. People in these areas are, therefore, increasingly migrating to lower productivity lands. A major threat to forests and protected areas in Kenya is their conversion to agricultural use. Thus agricultural households in high productivity areas need assistance to intensify land use, increase productivity, and raise incomes to help prevent their encroachment

into low-productivity forest areas or low-lands which are needed to sustain wildlife.

SO7 addresses these core issues through income-generation activities. SO7 implementers will target activities based on the appropriateness of existing ecosystems, and will plan activities to minimize negative impacts on land, water, and soil resources. Plans are in place to share SO5 information about natural resources management issues in geographic and thematic areas of interest with SO7 teams. Most importantly, SO7 teams will provide guidelines on protecting natural resources through farmers' groups and associations, export extension workers, and other means, as guidelines for agricultural technologies are being delivered. This information-sharing process will be carefully integrated into the program and systematically conducted by SO7 partners to prevent environmental problems. Social status in rural communities is often directly linked to income. As social status can influence people to adopt sustainable behaviors, these discussions will be extended, as appropriate, to involve other stakeholders in target agricultural ecosystems, such as pastoralists, women's groups, and others dependent on the natural resource base.

In some locations, particularly those near or overlapping with SO5 target areas, SO7 will provide input to SO5 land use and community resource management plans (IR5.1.2). This approach will ensure that a broad perspective is taken on environmental, social, and economic sustainability and that programs are harmonized with the Agency's sustainable development goals. These land use plans may illustrate the need for a range of policy improvements to support sustainable enterprise, including agriculture. From the agricultural perspective, such plans could highlight systemic problems such as encroachment and subdivision of land, increased need for market access, environment-friendly technologies, and better support for smallholder producers. As noted, they can also help SO7 implementing partners avoid environmental and social problems that have encumbered some agricultural programs in the past. Such problems include the abuse of toxic insecticides that pollute sensitive downstream waterways; a tendency to address husbands

where women are the primary growers; and the creation of pockets of wealth and social divisions in formerly close-knit communities. Where land use planning is not practicable, SO7 will conduct a small scale planning process to help customers understand the context in which their growing decisions are made. For example, conducting stakeholder analyses, participatory income surveys, or farming systems assessments in conjunction with agricultural training for growers' associations to launch discussion and collect information.

**Strategic Objective 3:
Reduced fertility and the risk of
HIV/AIDS transmission through
sustainable, integrated family planning
and health services**

SO3 addresses USAID global goals in health and population, and will include only limited explicitly environmentally-focused activities. Nevertheless, SO3 is an environmentally-sustainable plan, cognizant of and responsive to the environmental components of health risks and trends.

There has been an increase in prevalence of malaria in malaria-prone areas, such as western Kenya, and also a new increase in malaria in highland areas, especially after heavy rains, where it has rarely or never been seen before. The latter trend is particularly troubling, because limited natural resistance exists in the highlands. The causes for this increase are not well understood but may be due in part to increased conversion of forest lands to agriculture.

Whereas the under-five mortality rate in Kenya was steadily declining for the last 50 years, it has recently swung upwards—to 112 per 1000 live births, an increase of 25 percent during the last decade, according to the 1998 Demographic Health Survey for Kenya. This is probably related to several factors, with unclear links to environmental degradation or related environmental health parameters (e.g., deficiencies in water, sanitation, and drainage, leading to diarrheal disease and malaria transmission.)

With a continuing upward trend in the prevalence of HIV/AIDS in Kenya comes the need to develop programs for HIV/AIDS and STI prevention and treatment services at the community-level throughout the country.

This brings with it health-care waste management issues and related, if relatively modest, risk of disease transmission and environmental contamination

Overall improvements in women's and children's health and reductions in fertility can only impact positively on the country's environmental future, both in relation to USAID/Kenya programs and more broadly. Likewise, programs intended to stem the tide of HIV/AIDS in Kenya will have a salutary effect on the country's health and economy. However, several explicit steps will be taken to enhance the contributions of SO3 to environmental sustainability in Kenya, while also enhancing health outcomes.

First, the SO3 team will ensure that a Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP) is developed in connection with promotion of insecticide treated netting (ITN) for malaria control. This will be done in conjunction with the Kenya Medical Research Institute and related programs supported by USAID, WHO, and other donors, and the Programmatic Environmental Assessment of ITN being organized by AFR/SD. In this way, unintended negative health risks associated with inappropriate insecticide use will be minimized.

Second, as part of the child survival program, the SO3 team will seek to better understand the environmental components of health problems in Kenya. Pertinent analyses being produced by Macro International, the Ministry of Health, the World Bank, and others will be taken into account. If, during the implementation of SO3, linkages to environmental changes are established, the SO team will work to enhance the sustainability and impact of its program in appropriate ways, such as including education about these linkages in its outreach efforts in child survival/reproductive health/family planning, and HIV/AIDS services.

Third, the SO3 team will encourage the Ministry of Health and other appropriate actors to ensure that WHO guidelines and standards are applied to the management of healthcare wastes.

All these approaches are addressed and encouraged through the environmental review process to which all the SO programs

and new implementation mechanisms are subjected.

Explicit linkages to environmental sustainability in Kenya and possible synergies with the proposed environment program will be sought. Any activity related to environmental health, such as in SO5-influenced interventions by CBOs in environmental sanitation and health services, would benefit by including components of the SO3 child survival, malaria, maternal health, and HIV/AIDS services.

**Strategic Objective 5:
Improved natural resource management
in targeted biodiverse areas by and for
stakeholders.**

SO5 is directly focused on improving sustainability, and the team will be very thorough in that regard. Although policy and institutional constraints are highly problematic for the environment sector in Kenya, due to limited resources and to the fact that this is not the Mission's comparative advantage, the SO5 team does not plan to support direct work on the broader policy-level to address fundamental causes of environmental degradation, such as inappropriate land tenure policy. These causes will be addressed on a local basis within the program's five focal areas, which will provide successful examples for long-term national replication. Nevertheless, in the short term, these negative trends will continue to degrade surrounding areas.

At the local-level, SO5 plans to develop land use and community resource management plans (IR5.1.2) to support a broad perspective on environmental, social, and economic sustainability, and to ensure harmonization with the Agency's sustainable development goals. SO7 partners will be involved in supporting analyses to address agricultural ecological issues. Land use plans will also be used to illustrate the need for policy improvements to support sustainable natural resources management and community-based enterprise, including agriculture. Other USAID-supported programs around the world have used land use planning processes or community mapping processes to document their concerns spatially, and have found them powerful tools for improving their negotiating positions. (See, for

example, BSP-Indonesia and BOLFOR.). From the natural resources management perspective, such plans will help highlight an increased need for strengthened wildlife protection, a more visible role for communities in resource decision-making processes, and stronger incentives for sustainable

approaches to economic development in fragile lands. SO5 will expand the vision for these planning processes to encompass related, outlying communities, if their livelihoods have the potential to impact focal area ecosystem functions.

ANNEX 3

CONFLICT VULNERABILITY ANALYSIS

Introduction

This annex explores the nature and causes of actual or potential conflict in Kenya and proposes what USAID and the USG might do to help the country avoid or mitigate violent conflict. It assesses the likelihood of substantial conflict during the planning period of this ISP. The Mission's primary concern is for the stability of Kenya and the well being of the citizens who suffer from outbreaks of localized violence. Secondly, conflict may affect the security of USAID staff residing in Kenya or interfere with implementation of USAID's assistance programs. Finally, the Mission recognizes that conflict of Kenyan origin has consequences for Kenya's neighbors and that the reverse is also true. Before committing substantial resources to a long-term program of development assistance, it is important to assess the risks of conflict and to determine the risks of both continuing and discontinuing assistance.

Some notes on the nature of conflict

It is widely recognized that conflict is an inherent part of modern, complex society, especially when interests are organized and self-seeking. Conflict is more intense when interests seeking fulfillment or redress meet stubborn resistance. The latter situation is generally more likely when resources are scarce or where contesting parties view their efforts to advance or maintain the status quo as zero-sum affairs.

Conflict can take many forms, some violent, others not. People find that their ideas, their preferences, their interests vary from those of their neighbors every day. Those ideas, preferences, and interests are in conflict, but they are normally either

sublimated or acted upon and resolved in peaceful ways. The means of resolving daily conflict include negotiation, compromise, and reliance on institutions like village councils, courts, or the police. Violence often reflects the failure of institutions to allow for the pursuit of particular interests. Sometimes, e.g. in southern Sudan, it may continue unabated without institutional response or transformation.

Conflict, violent or not, may be restricted to local groups without wider intention or impact. But conflict can also aim at and involve national-level issues and participants. In still other cases, actors beyond national borders are engaged, either indirectly, through proxies, or directly.

The impact of violent conflict varies greatly, according to several factors, including: its duration, the number of people involved and their geographic location, the resources (especially weapons) at the disposal of competing parties, and their various perceptions of the stakes.

A brief history of conflict in Kenya

Pre-independence

Prior to the imposition of *pax Britanica*, the part of East Africa that was to become Kenya was the scene of periodic conflict. Such groups as the Kwavi-Masai were notorious for attacks in the Rift Valley against both fellow Nilotic pastoralists and Bantu cultivators. At the coast, the most memorable perpetrators of such raiding were the Seguju, who were inclined to eat their victims. While the coastal strip suffered from the successive conquests of the Portuguese and the Omani Arabs, the interior witnessed none of the kingdom or empire-building through conquest that occurred in Uganda.

The British established their colony over a considerable period, punctuated by violent resistance from such groups as the Nandi and the Giriama and smaller revolts from the Kamba, Taita, and others. Subjugation was accomplished by 1920, except in the Northern Frontier District, which remained in a special security category right up to independence.

The British took steps to contain conflict, such as employing the main Mombasa-Nairobi road as a *de facto* no-man's land separating the feuding Kamba and Masai. And the post-conquest colonial period was largely peaceful, with one important exception that became a household word: Mau-Mau.

This rebellion, beginning in 1952 and lasting nearly five years, was actually a combination of two bitter struggles. The first was against the British, to recover land lost to the White settlers and, by extension, to bring British rule itself to an end. The second was an intra-Kikuyu affair, wherein those who had gained most from their association with the colonial state and economy were targeted by those who had been on the losing end. Nevertheless, given the defeat of Mau-Mau and subsequent efforts to address land access and agricultural development issues in Central Province, much of the tension within the Kikuyu population had been diffused by the time the British flag was lowered.

Pre-liberalization peace and stability

Compared with many other African countries, Kenya maintained a reputation for relative peace and stability from independence in 1963 until the early 1990s. This absence of violent conflict may be attributed to the following factors:

- The absence of an active secessionist, rural guerrilla, or urban terrorist movement (at least since the dissipation of the "greater Somalia" *shifita* war in northeastern Kenya during the mid-1960s).
- The infrequency of assassinations of major government or other public figures (notwithstanding several notorious cases that originated within the Government, the repercussions of which the Government was able to control).

- The relative willingness of members of different ethnic and racial groups to live together, both in rural areas, where people interact in more collective terms, and in urban areas, where they interact largely as individuals (with the main exception of parts of northern Kenya, where pastoralism has been traditionally associated with livestock raiding).
- The absence of class-based violence stemming either from urban labor unrest (over wages or the availability or prices of essential consumer goods) or from rural divisions between the landless poor and the landed gentry.
- The general security of persons and property, so that business could be conducted and financial and material assets created and utilized with sufficient confidence in the future.
- Tight Government control of Kenya's economic and political systems, leaving limited space for competition and conflict.

Recent trends: Rapid change and increasing violent conflict

This stability began to crack in the 1990's, however, as the country underwent rapid economic, social, and political change, resulting in increasing competition and conflict. The following phenomena have been significant in the last decade and are still prevalent, and potentially destabilizing, today.

Political militancy and violence

The 1992 and 1997 elections both saw major eruptions of attacks, targeted on groups opposed to the ruling party, that were largely ignored by the security forces and unpunished by the judicial system. Some attacks were aimed at entire communities, while others were aimed at individuals such as candidates, activists, and businessmen-supporters. The violence sometimes provoked counter-attacks.

The appearance of localized, semi-political, largely informal militias first surfaced during the return to multiparty politics in 1992 as part of an effort to counter political liberalization and reform movements through violence. Discussions with Kenyans from different parts of the country, together with media reports, have identified

over a dozen of these groups, the most prominent of which is the Nairobi-based *Jeshi la Mzee* (“Army of the Old Man”). Several of these groups are associated with individual politicians associated with the KANU-B (hardline) faction, but some are associated with opposition politicians.

Cattle raiders

Large-scale violence has continued in the upper Rift Valley and in Eastern Province. The conflict is based on traditional cattle raiding but now involves far more advanced weaponry, large-scale destruction, looting, and killing than are characteristic of traditional Kenyan livestock theft.

Conflict along the borders

With severely conflicted neighbors in Somalia, Ethiopia, and Sudan, and with a proliferation of weapons from these war zones, banditry and clan warfare along Kenya’s northern borders is on the rise. This instability has been exacerbated by an influx of refugees, whom northern Kenyans often perceive as competitors for land, water, and public services.

Crime

Violent crime (including use of the threat of violence) has increased to the point where it is sapping the strength of the institutions that hold Kenya together and is diminishing Kenyan’s trust in a better future. Large sections of Nairobi are virtually “no-go” areas at night, even for the police. Some robbery with violence is alleged to occur with the complicity of the police and other security forces. Over the last year, the number of carjackings has escalated significantly. Suspected and confirmed criminals are often subjected to mob justice, due to the public becoming fed-up with being crime victims, and due to a lack of faith in the justice system. Human rights organizations have also documented increasing cases of summary executions by police, who appear to escape discipline.

The causes of increasing conflict

The destabilizing factors behind this escalation in conflict are not hard to identify. These factors have already had an impact on ethnic harmony and economic security, and they have the potential to weaken the

stability of the political institutions that have generally kept the peace.

Economic factors

Stagnant growth and unemployment

Per capita GDP has declined for the most of the last fifteen years, so the Kenyan “pie” has been steadily shrinking. Each year 500,000 new job-seekers enter the Kenyan labor force and compete for 250,000 to 330,000 new jobs. The total labor force is currently estimated at 13 million, three million of whom are unemployed and a large proportion of whom are underemployed. The chronically unemployed understandably have less stake in the preserving the political and economic status quo.

Increasing disparities in distribution of income and wealth

Kenya is now second only to Brazil in the disparity of income between rich and poor. Half the country’s population now lives below the officially demarcated poverty line, defined as the income necessary to purchase minimum daily caloric requirements. This dangerous polarization is also reflected in the poor distribution of land ownership, especially the fertile agricultural land that constitutes less than a fifth of Kenya’s area.

Increasing competition for land, water, forest, and wildlife resources

Several factors have contributed to increasing competition for natural resources. Factors include population growth, which has led to subdivision of holdings and increased pressure on water, forest, and range resources, as well as corrupt allocation practices. The boom in export agriculture, especially of horticultural products, generates much-needed foreign exchange, but it also contributes to growing conflict, particularly over water use. All of these factors have led to mounting tension in many areas of Kenya between agriculturalists and pastoralists, and between established populations and more recent immigrants from other parts of Kenya.

Corruption

Corruption has been a key way to both acquire wealth and distribute political patronage. Corruption has escalated over the last 15 years, in part due to the efforts of

those in power to acquire enough wealth to survive in a more competitive political environment. This “looting” has undermined entire sectors of the economy, caused serious damage to the natural environment, and undermined the public’s sense of security and confidence in law enforcement agencies and in the ability and willingness of the judiciary to protect property from violent and nonviolent economic crimes. It has contributed to the increasing disparity of income and wealth distribution, and fed the anger of those who are marginalized and disenfranchised by the economic and political systems.

Socio-cultural and demographic factors

Population growth

Kenya’s population growth rate (currently 2.2 percent annually) increases competition for jobs, scarce natural resources (particularly land and water), and social services. Sedentary farmers are expanding onto marginal lands previously used for nomadic grazing. Herders are competing for, and over-grazing, land in the semiarid northern half of the country, especially around water sources. In many cases, large families have subdivided inherited farms into plots too small to support a family.

HIV/AIDS

The impact of the HIV/AIDS pandemic on the social fabric of the nation is difficult to predict. But it will be severe and could become destabilizing. One adult in seven is infected. With adults in their most productive years falling victim to the disease, the emotional and financial strain on surviving family members is mounting. At the same time, the number of AIDS orphans is exploding. The costs of caring for the sick and dying will surely grow out of control, putting a heavy strain on the ability of government, communities, and families to provide other social services. The ultimate psychological impact of this disease is also difficult to predict. But it is likely that, with a reduced life expectancy, some elements of society will feel less committed to investing in the future or maintaining a stake in stable economic and political regimes.

Disaffection of youth

Kenya’s youth are increasingly marginalized in both the economic and political arenas, leading to widespread disaffection. As noted above, there are far more young people leaving school to look for work than there are jobs available, leading to disengagement from the economic system. In addition, the failure of the Electoral Commission of Kenya to register more than a fraction of eligible young voters before the 1992 and 1997 elections created an available pool of largely unhappy (if not angry) youth with very little stake in the political system. The growth and increasing visibility of the Kikuyu *Mungiki* semi-traditionalist religious sect (that has reportedly begun to recruit across this ethnic boundary) is one expression of the declining credibility of formal institutions and processes among this younger section of the population. The most volatile section of the Kenyan population in this regard is university students, who have already earned a reputation for violent displays of disgruntlement, whether regarding campus or wider, national issues.

Manipulation of identity

Ethnic, religious, and class identities constitute the primary fault lines within Kenyan society. Most of the competition for economic, political, or natural resources occurs along these lines. As competition has increased, these bases of identification with or distinction from others have become increasingly salient. This form of identification does not in itself automatically produce violent conflict. But experience both within Kenya and elsewhere in the region has shown that these identities can be highly subject to manipulation.

Marginalization of some communities

Certain regions and communities within the country have consistently been economically and politically marginalized by the Government, and often by other Kenyans. Many of the pastoral regions of the country, which constitute as much as 80 percent of Kenya’s territory, receive few government services, even of provisions for basic security. The GOK’s control of large sections of north-eastern province, for example, is marginal at best.

Political factors

Political liberalization

Since the beginning of the 1990s, radical changes have taken place in the way politics are played in Kenya, as political institutions and the rules of the game have been rewritten. Political liberalization has brought on competitive multiparty elections, constitutional reform, efforts to level the political playing field, freedom of association, an aggressive press, increasing demands for public accountability, and other changes. The same changes have led to great disruption in the political arena, and produced challenges to many entrenched political interests. The ultimate goal of political liberalization should be better opportunities to compete through effective public institutions—rather than repressed competition as in the past. The transition process is necessarily a period of increased competition as different players compete for the opportunity to define the new rules.

Uncertainty over succession

As President Moi's departure from office approaches, worry over political instability increases. Primarily for this reason, the ruling KANU party has attempted to resist and, more recently, limit and control the process of constitutional reform over the last several years. Because of its impact on the rules of succession, following the President's 1997 electoral victory, he waited fourteen months before, apparently reluctantly, appointing George Saitoti as Vice President. This delay, as well as the casual manner of the appointment, was widely interpreted as a refusal to "anoint" Saitoti as Moi's "heir", leaving the selection of KANU's next standard-bearer up in the air. If President Moi were to die before the end of his term, an unsettled succession within KANU could result in a heated dispute within that party's hierarchy.

External factors

Spillover from the region's wars

Ongoing wars in several of the countries bordering Kenya have had a profound impact on stability within Kenya. Civil war and lawlessness in Somalia, and accompanying flows of arms and refugees, have seriously undermined stability in neighboring portions

of Northeastern Province. Similar problems affect the border regions with Sudan. In addition, Ethiopia's tense and frequently violent relationship with its opposition Oromo Liberation Front (OLF) often spills across the border as Ethiopian forces launch raids against the OLF, while complaining that Kenyan Oromos provide shelter for the organization. Kenyan security forces have had difficulty repelling or deterring cross-border raids into Kenyan territory and attacks on local populations, particularly along the Somalia border.

Refugees

The profusion of refugees in Kenya, most of whom are from southern Sudan, is another source of tension and occasional instability. Refugee numbers have grown alarmingly as a result of regional conflicts. Refugees are often perceived by Kenyan citizens as competitors for public services and other resources. Some of the wealthier refugees have been connected to an explosion of the arms trade in Nairobi. In addition, the influx of refugees has exacerbated local clan conflicts, particularly among Somalis.

Proliferation of weapons

The increasing availability (and apparently falling prices) of weapons in Kenya results in large part from the excess of weapons available in the region due to the many ongoing wars. (The Kenyan government has, at times, contributed to the proliferation by distributing small arms to "home guards," especially in pastoral areas). The availability of weapons increased dramatically after the collapse of the Somali government. Although no firm figures are available, various analysts have identified the main sources of such arms and documented their falling prices in a variety of domestic and foreign markets. Unsubstantiated reports about the stockpiling of arms in anticipation of possible political crisis raise the specter of a direct threat to national stability. Weapons proliferation is a major factor contributing to crime in urban centers and banditry and the ungovernable nature of remote regions.

Localized cross-border conflicts

Conflict across Kenya's northwestern border with Uganda tends to have roots in traditional cattle raiding between the Pokot and

the Turkana of Kenya and the Karimojong of Uganda. This conflict has at times contributed to tension between the two countries and periodically resulted in mobilization of security forces on both sides of the border as each country suspected the other of sheltering and perhaps providing staging grounds for dissidents ready to overthrow their government. This phenomenon has recently receded, with any luck permanently, as Kenya, Uganda, and Tanzania attempt to reconstruct the basis for economic and political cooperation.

Trends and concerns for the future

The various and increasingly numerous incidences of violent conflict in Kenya are currently relatively disaggregated, comprising a collection of essentially isolated (though not completely unrelated) local incidents. The current level of conflict is sufficient for serious concern, as it comes at great cost to much of the country. It leaves some areas impoverished and destroys gains made in others, while costing many lives and adversely affecting the tourism industry and economic and political confidence in the country.

The key for concern and analysis at this stage is understanding the likelihood and the means by which such conflict might increase in prevalence or become aggregated into a single, larger arena of national conflict that could seriously threaten the country's stability. Of particular concern are the actors and issues that might have the power to trigger such an aggregation, and the factors that can help to preserve at least a semblance of stability. Several potential triggers are discussed below.

The constitutional reform process and the succession struggle

As the post-Moi era approaches, worry over political instability increases. In the eyes of many Kenyans, the most relevant aspect of the current debate over constitutional reform is its impact on the rules of succession. Primarily for this reason, the ruling party has attempted to resist and, more recently, limit and control the process of constitutional reform over the last several years. An unsettled succession within KANU could result in a heated dispute within the party's

hierarchy in the run-up to the next elections. Moreover, many of those involved in this power struggle have, in the past, demonstrated their willingness to manipulate tensions among communities and to resort to violence. More than one contestant has formed his own private militia, and these may be called out to assist in such a struggle.

Thus, the struggle to inherit the presidency may be too intense for existing institutions to contain, without "down-sizing" the presidency. Without an agreed mode of exit for those most vulnerable to legal retribution for their past abuses of power, the individuals concerned may simply be unwilling to go. There is, therefore, likely to be severe tension between efforts to raise the election's democratic standard and guarding vested interests that could become highly vulnerable after a transfer of power.

It is hard to predict the likely severity of the violence and disruption that might result from this struggle. A continuation of the current unstable, but not catastrophic, levels of disaggregated conflict and violence is one possibility. A complete systemic breakdown or possibly even a pre-emptive civilian-military intervention, by which the regime would effect its own "overthrow" to accomplish by force a consolidation of power it could not manage any other way is another, possibility. Such an opposite extreme scenario would only develop if the regime's inner core determined that it could not control the constitutional reform process and/or the succession, that the opposition was likely to win fair elections, and that the regime risked becoming the object of retribution. The cooperation of the Kenyan military in such a scheme is by no means certain. The result of such a pre-emptive intervention would likely be violent opposition leading to an unpredictable security situation.

Further economic decline

The GOK's response to clear public and donor demands for economic reform, increased accountability, and a reduction in corruption has been slow, and the resulting loss of fiscal support from international financial institutions has left the Treasury teetering on the edge of insolvency. The political implications of true reform in

economic governance are huge, with KANU's system of patronage in the balance. True reform of public procurement, expenditures, and accounting, and of the judiciary will upset well-entrenched special interests and reduce the importance of the systems of privilege and spoils that maintain the current power structure in Kenya. So intertwined is the response to the imperative for economic reform with the political positioning for succession that the impact of the decision on any specific set of reform measures may be as great on the future of certain Government factions as it is on the economy.

While the Government may succeed in coming to terms with the Bretton Woods Institutions over budgetary support, thus preventing imminent collapse, the pressures of continuing economic decline and persistent demands for reform of economic governance will continue. The country is likely to face severe power and water rationing for the next six months, for example, with significant negative impacts on the economy. Even with the resumption of support from international financial institutions, the GOK is unlikely to have the financial means to pursue an adequate poverty reduction program. While the effects of continuing economic stress might take months to unfold, significant increases in unemployment and poverty could certainly have political consequences, including escalating crime and other conflict, while threats to the economic status of Kenya's middle class will likely increase further the demands for political and economic reform.

The role and political activism of Kenya's middle class could perhaps become an increasingly decisive factor. Historically, the middle class has been relatively passive, and some key elements have been co-opted by the Government. For example, Maendeleo ya Wanawake, the country's leading women's organization, maintained close ties to the Government at the national-level, although its local member groups often reflect local character and issues. Despite its generally strong interest in preserving peace, the middle class has increasingly felt the pinch of Kenya's economic decline. In many countries, the middle class has proved a particularly powerful advocate for reform, and the same could be true in Kenya,

particularly if the necessary training and guidance from civil society leadership, especially religious institutions, can promote nonviolent tactics. Cooperatives of farmers, tea and coffee growers, local women's organizations and religious groups, and many other representatives of Kenya's middle class are increasingly manifesting broad discontent with declining standards of living. Experience suggests that a timid middle class will become more vocal and politically active in the face of such declining expectations.

Continuing or increasing instability in pastoral/arid/border zones

Violent conflict, livestock raiding, and banditry in the arid pastoral regions, arising from both local and external sources, shows no signs of abating. While this conflict is unlikely to directly threaten the stability of the state, it continues to contribute to the country's overall decline. Substantial portions of the country remain cut off from real interaction in the economy and continue to produce a large disaffected class of pastoralist Kenyans who are increasingly dependent on state and donor resources for survival. Elements of the northern populations also continue to facilitate the flow—and overall increase—of arms (and perhaps increasingly narcotics) within the country and the region, while potential trade with Ethiopia and other neighbors is severely inhibited by this instability.

Increasing competition for land, water, and forests

As Kenya's population continues to increase at a rapid pace without development of new alternative economic opportunities, the already enormous pressures on land, water, and forest resources will inevitably escalate. To date, this has produced primarily localized—but increasingly severe—violent conflicts, which have proven to be highly amenable to political manipulation. If effective, broadly acceptable means of managing these resources are not put in place soon, the situation will continue to deteriorate. The current system of obtaining access to water resources is particularly unregulated by the Government. Although some communities have successfully worked together to overcome these problems (and in

many cases illegally) collectively manage these resources themselves, this solution will not be easy to achieve on a wider geographic scale. In coming years, the country is likely to see increasing conflict—including violent conflict—over access to and control of resources.

Forces for nonviolent change

In contrast to the many factors contributing to conflict and the many actors willing to exploit these issues, there are also numerous, potent voices for peace that are active on the Kenyan stage. These include:

The general public, especially the middle class

The entire Kenyan population is aware of the crises that have affected most of the country's neighboring states (Zanzibar, Uganda, Somalia, Ethiopia, Sudan, Rwanda and Burundi) at one time or another and have no desire to see widespread violent conflict erupt here. More specifically, while the middle class (including the landed peasantry) has historically been deeply conservative, it increasingly joins in demands for reform, while at the same time abhors violence. The middle class could thus become one of the strongest voices advocating for nonviolent change.

Civil society organizations

A wide variety of active individuals, civil society organizations, and NGOs promote nonviolent change, reform processes, and conflict prevention and mitigation. Particularly active are many of the country's leading religious bodies.

Individuals within government

There are pro-reform and pro-peace individuals within government who support nonviolent change.

Government institutions

As the capacities of various government institutions and branches to fulfill their roles grows, they can increasingly participate in true balance-of-power politics, and serve as a force for nonviolent change. The Kenyan military, with its recognized professionalism, may have a particularly important role to play in promoting nonviolent change and

preserving democratic institutions of governance.

Kenya's neighbors

Uganda, in particular, has an interest in promoting peace in Kenya, due to its interest in the free flow of goods (including petroleum) from the port of Mombasa, on which much of its own economy depends.

Regional intergovernmental organizations

The Intergovernmental Authority of Development (IGAD), the East Africa Community, the Common Market for East and Southern Africa, and possibly other intergovernmental bodies of which Kenya is a member all have an interest in preserving peace in Kenya, and are all increasing their efforts to develop means to achieve these aims, for example through IGAD's Conflict Early Warning and Response Network (CEWARN), COMESA's conflict response protocol, and other mechanisms being developed.

International governments and donors

The financial and strategic interests of the international community (especially of the United Kingdom and the United States, including their more-or-less permanent military presence) also add ballast to the forces militating against violence eruption or breakdown.

USAID/Kenya's conflict strategy

USAID/Kenya plays a major role in the United States Mission's strategy for conflict prevention, mitigation, and response in Kenya and the Greater Horn of Africa. In considering what USAID should do, there are several factors to keep in mind.

First, It is USAID's job to focus on helping to build Kenya's capacity to deal with the risks and threats of violent conflict, within the context of supporting efforts in economic development and policy, increasing rural incomes, managing natural resources, and developing institutions of democratic governance. The State Department and other USG agencies have the capacity to focus on short-term political concerns and ensure the attainment of USG specific interests. USAID has some ability to influence processes at risk of causing violent conflict in the short-term, particularly by

working with State to encourage Kenyans of all ethnic groups and political affiliations to engage in constructive and peaceful dialogue with one another. But the real strength of USAID's programs is in their ability to foster the longer-term processes of change and the building of institutions that can manage and channel conflict.

Secondly, despite the inherent rockiness of the current political reform process, USAID/Kenya knows from its principles and experience that investments in medium- to long-term institution-building are the right investments to make. The Mission must work with Kenyan stakeholders and other donors to monitor the progress of these institution-building activities and test progress against assumptions and hypotheses and to ensure that its combined investments are proportional to the capacity of key institutions and organizations to absorb resources.

Finally, USAID/Kenya must distinguish between those factors causing violent conflict that it can affect, and those that it cannot affect. Unfortunately, many of the key factors that are contributing to the rise in violent conflict are unlikely to be amenable to USAID influence. The Mission can do little, for example, to prevent the proliferation of arms in the region or the decision by powerful individuals to resist reforms or to try to manipulate communal tensions for political ends. But there are many ways in which USAID/Kenya can have an impact, particularly through strengthening the many "voices for peace" in Kenyan society and by strengthening institutions that can balance power and channel conflict.

Diplomacy

At the regional-level, the Ambassador and key country team members are encouraging President Moi and the Government of Kenya to take a leadership role in brokering peace negotiations in Sudan and in encouraging the peaceful settlement of conflicts throughout the region. The Mission also encourages the GOK to continue offering a safe haven for refugees from the strife-torn countries of the region.

Within Kenya, the Embassy stays fully engaged in encouraging Kenyans of all ethnic groups and political affiliations to

engage in constructive and peaceful dialogue with one another as they negotiate the shoals of political liberalization. Currently the debate on constitutional reform presents the greatest potential for progress and the greatest risk of failure, as the country moves toward the post-Moi era. In support of this dialogue, USAID and the Embassy work closely together to promote civic education for constitutional reform. USAID also recently solicited proposals from U.S. PVOs to help Kenyans define the constitutional issues at stake.

Analytical work

To help Kenyans define their issues and to better understand USG options, the Mission has financed several studies of conflict in Kenya.

The Muticon studies, the key findings of which were disseminated in a workshop, explored a wide range of actual and potential conflicts through a study project that produced 18 case and thematic research papers. Significant themes that emerged from the studies included:

- Most violent conflict in Kenya is over access to resources, particularly land and water.
- Conflict resolution efforts are more likely to succeed when those engaged have significant moral standing within the communities of combatants.
- Competitive multiparty politics often reward leaders who foment, or participate in conflict, rather than rewarding them for resolving or preventing them.

Currently an international consultant is conducting a study of communal conflicts along the borders with Uganda and Sudan.

Addressing the root causes of conflict

The USAID/Kenya program of development assistance goes right to the root causes of actual and potential conflict in Kenya. Although one cannot expect to see an immediate reduction in conflict or the risks of conflict, it is important that USAID stay the course. It is through steady progress in these areas that conflict will be avoided in the long run.

Population

The greatest source of conflict in Kenya is that resulting from increased population

pressure on the natural resource base, particularly agricultural and grazing land and water. By helping Kenya to reduce its rate of population growth, USAID reduces the rate of pressure increase and thereby reduces the likelihood of conflict over resources.

HIV/AIDS

The political and security implications of the HIV/AIDS pandemic are unknown. It is sure that the costs of caring for the rapidly growing rolls of AIDS victims will impose an undue burden on the country. Less well understood is the psychological impact the killer disease will have on the national psyche. Growing despair could lead to a diminished stake in the future and a reduced commitment to observing the rules of civil behavior that keep society stable. It is conceivable that, unchecked, AIDS could lead to increased crime and communal violence. The USAID program is an important tool to help reduce the chances of such an outcome.

Economic growth

Poverty has been identified as a root cause of conflict in Kenya. USAID's interventions to increase rural household incomes address this problem directly. USAID's agriculture program also promotes the sustainable use of natural resources, over which significant conflict is waged.

Institutions of governance

The surest way to prevent conflict in the long run is to develop the institutions of governance that give people confidence that their differences can be resolved through peaceful means—a representative legislative process, a legal system that delivers justice, local government that is responsive to its citizens, and the honest and efficient delivery of social services. USAID's new DG strategy will help Kenyan reformers begin to develop such institutions.

Strengthening civil society

USAID, with active participation from the Embassy, manages a program of small democracy and governance (DG) grants aimed at increasing the capacity of grass roots organizations to increase effective demand for constitutional, political, and legal reform. A stronger civil society, better

able to advocate for peaceful change, is a powerful force for stability.

Direct conflict prevention and mitigation activities

A number of the Mission's small DG grants are directed at monitoring and protecting human rights and promoting the resolution of local disputes. Several of the NGO grantees monitor potential and actual violence and document it for both internal (Mission) and external (public dissemination) purposes. Certain grantees have a monitoring "Early Warning System" capacity that may discourage (or at least raise the cost, through exposure) those considering violent conflict as a strategy to achieve their ends.

Other grantees have been working mainly in post-conflict environments, helping communities rebuild trust following violence and encouraging the commitment to avoid violence in the future, whether the violence was locally fomented or encouraged or sponsored from outside. Still other grantees have sought to bring political leaders (Members of Parliament, District County Council representatives, and others) together to discuss and find solutions to conflict and other issues affecting marginal, pastoralist areas.

Current proposals for new activities include:

- Establishment of an analytical unit or capacity within civil society that can engage in the on-going monitoring of social tensions to provide continuing information and analysis of possible violent situations before they occur.
- Achievement of greater coordination between such "early warning" information and relief efforts, both within the Mission and between the Mission and other donors, taking into account regional (GHAI) concerns as well.

Humanitarian assistance

The U.S. Mission's response to conflict includes major programs of humanitarian assistance to the region, managed from Nairobi. USAID's Office of Foreign Disaster Assistance has its African Regional Office in Nairobi, where it manages humanitarian interventions in conflict and other situations throughout the Greater Horn and the rest of

Africa. And REDSO's Office of Humanitarian Response and Transition Initiatives manages a substantial portfolio of PL480 food assistance in response to both conflict and natural disasters.

Can USAID assistance promote conflict?

It should be noted that any program promoting fundamental change threatens vested interests in the status quo and can stimulate resistance to that change, sometimes in the form of conflict. USAID's entire democracy and governance program to date has been designed to increase effective demand for political reform and therefore runs the risk of heightening conflict, at least in the short-term. Indeed, prior to the 1992 elections, President Moi and other KANU leaders used the argument of the threat to national unity inherent in a return to multiparty politics as their strongest argument against the reform program.

But the absolute avoidance of all conflict would require inaction, and no one is suggesting that. USAID, with guidance from the Embassy, continually makes judgements about what changes are important to promote in Kenya and which run too high a risk of promoting unnecessary conflict. The fundamental guiding principal is to assist Kenyan reformers to promote those changes that will result, in the long run, in a prosperous, democratic, and peaceful Kenya, where disputes are routinely resolved nonviolently. And in the short run, some advocates for peaceful change may find themselves in conflict with their opponents.

Conflict and USAID's operating environment

A final consideration is the level of violent conflict that USAID may have to contend with in order to implement its assistance program in Kenya. To date, the gradually escalation of conflict has not approached the point where it would put normal operations in jeopardy.

Because of the rising level of urban crime, especially the recent spate of car-jackings, all USAID staff exercise caution in where and how late they drive at night. American staff are required to carry their security radios with them when they are on the roads of Nairobi.

USAID project activities can run afoul of the community violence that flares up from time to time. The microenterprise program, for example, was directly affected by ethnic violence that erupted in the Rift Valley and Coast Provinces in 1992 and 1997, when several recipients of microenterprise loans suffered damage or destruction of their business premises, equipment, and inventories.

More significantly, USAID staff must be careful where they travel. Before traveling to the northern half of the country, USAID/Kenya, REDSO, and OFDA officers check with the Embassy's Regional Security Office to learn of travel advisories. Banditry has become common enough in northern Kenya, that, with the exception of DG grants to indigenous NGOs and PL480 and humanitarian assistance, the Mission is not considering development activities in the sparsely populated north.

Conclusion

The Ambassador and Country Team have concluded that, while there is a risk that conflict may periodically escalate in Kenya, this is a country in which it is well worth continuing to invest USAID resources. USAID should stay the course in helping Kenyans address the underlying causes of conflict in Kenya. The period up to and immediately following Kenya's transition to the post-Moi era poses particular opportunities for USAID to help Kenyans lay the foundations for long-term peace and prosperity.

In this time of rapid transition, USAID/Kenya should watch closely for new opportunities to help Kenyan reformers and peacemakers. The Mission should also closely monitor the security situation to avoid putting its staff and partners in harm's way.

ANNEX 4

OFDA, FFP, AND USAID/KENYA

STRATEGIC COLLABORATION IN

EMERGENCY MANAGEMENT

BACKGROUND

Drought is a characteristic element of the Kenyan environment and has affected agriculture, the economy, social organization, and—ultimately and often tragically—the people. For the most part, a one-season drought presents only a moderate problem to local communities. Two consecutive seasons of drought make the problem a serious one. Three or more consecutive seasons of drought have a severe effect on communities, agriculturists and pastoralists alike, and also affect a host of other segments of society.

Kenya has suffered a series of weather-related disasters during this decade—the 1991/92 drought, the 1996/97 drought, and the 1997/98 El Nino floods. Most affected are the marginal areas of northern and eastern Kenya, which have fragile ecosystems and are home to the majority of Kenyan pastoralist communities. The 1998 short rains (October to December) and the 1999 long rains (March to May) were poor in quantity and distribution, especially in North Eastern, Eastern, Rift Valley, and Coast Provinces. Currently, the country is under-going a drought emergency due to the poor performance of 1999 short/long rains and the 2000 short/long rains resulting in some areas of the north of Kenya experiencing failure of five consecutive seasons. Drought emergencies have continued to erode the livelihoods of over one million people in North Eastern, Eastern, and Rift Valley Provinces, often with no time for recovery between one disaster and the next.

While drought is an obvious factor in the erosion of rural livelihoods in Kenya, there are other factors that have come into play over the past decade that complicate efforts to effectively address the challenges of development in arid and semi-arid areas. Population increases have resulted in encroachment into many areas that were traditional grazing grounds for pastoralists. There is extreme pressure on water, land, grazing areas, and other natural resources, and conflict has markedly increased as resources have diminished and been degraded. Traditional raiding has now developed into a lethal economic battle, affecting entire families. Pastoralists, even with diminished herd sizes, are finding it difficult to find sufficient grazing and water resources, and, particularly during times of drought, traditional grazing areas for such emergencies are closed off to them due to encroachment or conflict and threats of cattle rustling.

Although individual droughts cannot be anticipated even in the medium term, prudence calls for measures that demonstrate proactive mitigation and preparedness for them. In general, USAID has improved its early warning capability so that the agency is aware when rains are late and can foresee the possible negative consequences. The Agency is less able to respond effectively to such warnings in a timely way. Thus it is important to build up coping mechanisms in advance to reduce the negative effects of emergencies.

PURPOSE OF ANNEX

- To recognize the effects of recurrent drought (and other emergencies) on USAID's development efforts; During review meetings of Kenya's Integrated Strategic Plan (ISP), the Mission, OFDA, AFR/EA, and AFR/DP agreed that the Mission needed to develop a special annex to better describe the relationship of Mission and OFDA resources. It was agreed that the annex would be a short document that would:
 - Indicate how OFDA and Mission resources can be used to address negative impacts; identify what has been done to date in these areas and what is likely to be done, given staff and resources constraints facing USAID.
 - Identify gaps that the Mission believes will exist even with OFDA, FFP, and Mission resources—particularly between emergency response and long-term development.
 - Describe what other donors and NGOs are doing related to drought and emergency response.
 - Identify processes and procedures to formalize the ad hoc coordination currently taking place between OFDA and the Mission in the field.
 - Estimate budget levels from USAID, OFDA, and BHR over the ISP period, recognizing the emergency response nature of OFDA funding.

During the meetings relating to Kenya's ISP review, the Mission presented the reasons it chose not to invest heavily in the ASAL areas. These reasons included very small (and diminishing) amounts of DA funding available for economic growth, the sparse population of the ASAL regions, and the enormous needs of these areas (hence the likely very low returns on USAID's investment), and the difficulty of running assistance programs in insecure areas. Thus all parties agreed that the Mission would not be directed to shift its strategy and resources to focus on a program to assist ASAL areas in Kenya. This decision by no means diminishes the problem USAID/Kenya faces when the effects of repeated disasters have negative impacts on its development program. Thus, the purpose of this annex is to outline reasonable steps in light of resource constraints that will lead towards better and more coordinated use of all USAID's resources to address the problems in ASAL areas of Kenya. It should be recognized, however, that USAID/Kenya has committed both staff (OE-funded) and resources (DA and BHR Title II) for ASAL areas. It has engaged a short-term drought coordinator with DA funds, and is in the process of hiring a full-time ASAL Advisor (DA-funded). These are in addition to one full time FSN and one part-time USDH. These are significant contributions, given the size of budget and staffing pattern of the Mission.

PROBLEM

USAID, through OFDA and FFP, has always been an active and generous donor during the various emergencies Kenya has experienced—be they floods, drought or other disasters. Between 1997 to 1999 alone, USAID provided \$18 million worth of relief PL480 Title II food and another \$18 million of non-food assistance from OFDA resources in response to disasters in Kenya. Food donations from the USG, including USAID, for the current WFP Emergency Operation (EMOP) to date amount to over 55 percent of all EMOP requirements, placing USG contributions highest among all donors. During the same period, OFDA has

committed close to \$5,700,000 for non-food interventions, including provision of water, supplementary feeding, and health interventions.

Traditionally, emergencies—including drought—have been treated as “critical assumptions” in the Mission's strategic planning. Resources to combat emergencies (especially drought) from OFDA (response, recovery, and mitigation) and FFP Title II (response, recovery, mitigation, and development) resources have been programmed in an ad hoc fashion with little formal coordination. USAID/Kenya's Title II program has built up capacity in partners in the field in

many of the vulnerable areas that BHR, both OFDA and FFP, has turned to in times of emergencies to assist with USG emergency operations. Strategic collaboration among OFDA, FFP, and USAID/Kenya on the use of available resources to combat and mitigate emergencies can improve on what has been to date an informal process.

USAID/Kenya took significant steps to better integrate Title II development resources into its 2001-2005 ISP. The Mission has committed to continue working with Title II partners in ASAL (arid and semi-arid lands) areas to specifically address the negative impact emergencies can have on the lives of those in traditionally vulnerable areas, and for populations in better endowed areas. During implementation of the strategy, activities will be identified that will increase incomes, improve food security, and strengthen coping mechanisms to help

communities mitigate the effects of drought and improve the rate of recovery from previous droughts.

With the approval of the USAID/KENYA ISP for 2001-2005, the SO7 team will increase its coordination with the OFDA in appropriate areas (where it makes sense in terms of activities and geographic location) through the approaches described below. In addition, USAID/KENYA, using scarce DA resources, has committed to hiring an ASAL Advisor; this position will allow SO7 to better coordinate with both USAID offices and with external partners on many issues related to ASALs in Kenya, including pastoral livelihoods. This annex discusses opportunities where OFDA, FFP, and USAID/Kenya can collaborate in order to maximize effective drought management with the available resources.

PROPOSED DROUGHT AND EMERGENCY MANAGEMENT STRATEGY

The Mission will continue directing its ASAL area development efforts to known vulnerable districts in the arid and semi-arid areas of Kenya towards the following activities to contribute to drought and emergency management:

- Increased capacity of selected communities to prevent effects of drought.
- Increased capacity of selected communities to mitigate effects of drought.
- Strengthened preparedness of the Mission for drought response.
- Existence of a GOK policy that promotes emergency response to drought.

The framework presented at the back of this document provides a summary of the elements of USAID activities in drought and emergency management efforts. The following discussion also elaborates on each of the elements.

Increased capacity to prevent the effects of drought

At an early stage, preventive actions may be feasible to encourage activities that minimize

risks. Approaches proposed in this framework are as follows.

Diversifying sources of household income

Agricultural systems in the arid and semi-arid lands (ASALs) of Kenya are either pastoral (nomadic or semi-nomadic) or mixed farming systems. In pastoral systems, populations gain most of their food and income from livestock. In most pastoralist areas, crop production is difficult, and the availability and distribution of forage varies seasonally, depending on the rain. When drought occurs, livestock productivity drops, and losses may occur, which can lead to reduced income and food security for up to five years as flocks and herds are rebuilt. When conditions improve, livestock are important assets in helping people recover nutritionally and economically.

In these areas, there are few economically viable alternatives, and diversification will involve consideration of different types of livestock and other non-traditional crops. However, mixed farming systems include both livestock and crops and are either sedentary or agro-pastoral. Livestock and crop production complement each other and

provide many advantages over crops alone, including reduced risk and increased productivity. For example, animals can feed on crop residues that would otherwise be wasted and provide manure to fertilize the soil and improve soil structure.

In both systems, increasing crop and livestock production to reduce the impact of drought requires much more than new technologies, however adapted and socially acceptable they may be. The first requirement is to provide incentives that the cultivator or pastoralist finds sufficiently attractive to justify the extra effort that must be expended to obtain higher production. Other requirements are roads, credit facilities, markets, and readily available supplies. Agricultural and marketing systems are dependent on basic infrastructure. While other interventions have been included in SO7, the following lower-level results have been proposed to contribute to effective drought management:

- Increased use of drought tolerant crops.
- Strengthened pastoral livestock markets.
- Promotion of micro-irrigation systems.
- Promotion of microfinance systems.

These activities will continue to be implemented in collaboration with PVO partners through the PL480 Title II development program. OFDA also funds such activities and currently has programs with CRS for drought tolerant seeds (2000) and livestock off-take to address the depressed market for livestock during the drought (1999 and 2000). USAID/Kenya and OFDA/ARO will also collaborate in technical areas of mutual interest (pastoral livelihoods and household economies approaches) in order to have a more consistent USG approach to emergencies in Kenya.

Promotion of conflict resolution among communities

In emergency situations, conflict can be exacerbated when migrating communities with livestock compete for reduced forage and water resources or when moving herds destroy crops. Raids for livestock by neighboring communities are also a common problem. Such raids are no longer conducted with traditional weapons or under traditional precepts of war and limited to youthful age groups under careful control by elders.

Nowadays, livestock raids are conducted with lethal arms and usually result in heavy human casualties. In such conflict situations, livestock losses may be so severe that rebuilding the herds is not a viable option. People lose their livelihoods, if not lives, and become increasingly vulnerable. In a situation already made worse by such conflicts, occurrence of a drought makes it even more tragic.

SO7 will hire an ASAL advisor who will allow USAID/KENYA to actively collaborate with USAID partners (USAID Pastoral Group, USAID/KENYA DG, REDSO/ESA and OFDA/ARO) in conflict resolution among communities through:

- Promotion of peace building efforts.
- Promotion of cross-border harmonization meetings.

Increased capacity to mitigate the effects of drought and emergencies

When emergencies hit, mitigating activities can reduce their harsh effects in the short run. The following activities are proposed.

Promotion of Food for Work (FFW) activities

FFW is a multi-purpose intervention that can be used at all stages of drought mitigation. When emergency food is provided, it is usually in the form of direct distribution. Towards the end of the drought, FFW activities are more viable and will be promoted over free general distribution. The work performed can contribute to both the provision of food and long-term development. Target groups receive food wages in return for labor, generally on public works or infrastructure, such as dams, wells, rural access roads and soil/water conservation structures. The focus is on individuals who are most at risk. However, care must always be taken, because requiring vulnerable individuals to work may at times exacerbate their vulnerability.

Increasing sustainable water resources

The first goal of water interventions is life support. This means providing enough water of good quality to meet daily human requirements (about 15 to 20 liters per person per day) and the establishment of basic hygiene and sanitation measures to prevent

the spread of disease. Local communities in vulnerable areas have often viewed primary health care and hygiene as priority needs. Possible activities include:

- Increased sanitary water sources for humans.
- Increased water sources for livestock.
- Promotion of community water maintenance systems.
- Promotion of community water users' fees systems.

OFDA has funded water resource programs for both humans and livestock in areas hit by emergencies. They have funded World Vision, ADRA, Lutheran World Relief, Rural Focus (Kenyan private sector), and UNICEF to rehabilitate water sources, assist communities with setting up water use fee schemes and maintenance of these resources. Through the Title II development program, USAID/Kenya will continue to implement such programs in collaboration with PVO partners. USAID/Kenya and OFDA/ARO will also collaborate in technical areas of mutual interest (water sources and long-term community management for example) leading to a more consistent USG approach to emergencies in Kenya.

Strengthening community-based para-veterinary systems

During most emergencies, be they drought or flood, livestock become more susceptible to disease outbreaks. During drought, endemic diseases increase when herds crowd together at the few remaining watering points. Community-based animal health interventions play a crucial role in controlling livestock mortality.

The OFDA has consistently provided funding to OAU/IBAR and to PVOs (CRS for example in 1999) for a very successful community-based animal health workers in the ASAL areas. This has led to improved animal health of pastoral herds. Through Title II development programs, USAID/Kenya will encourage PVO partners to use the same OAU/IBAR model of community-based animal health care delivery systems to encourage increased efficiencies and sustainability of these services. This will ensure that pastoralists have access to animal health care.

Strengthened preparedness for emergency response

In the long run, actions that promote preparedness facilitate quick response to threatened emergencies. The following are possible activities to address preparedness:

Strengthening capacity of PVOs in vulnerable areas

Through the Title II development program, the Mission provides assistance to vulnerable populations in ASAL areas to improve their food security and increase incomes and to build capacity and pre-position PVOs for emergency monitoring and response when needed. This is key to OFDA emergency operations, since they need partners in the field with in-depth knowledge of communities to have an effective emergency program that will have long-term mitigating effects. In addition, BHR/FFP and USAID/Kenya are providing funds to set up a methodology to monitor changes in household incomes in Title II-targeted communities. Cooperating Sponsors are highly involved in this new effort, and they will have increased capacity to track incomes with this new methodology.

The Mission will continue its emergency preparedness for the future through:

- Promotion of Title II development activities in the vulnerable areas.
- Increased dialogue between the Mission and PVOs on food and emergency situations in the vulnerable areas.
- Hiring of an ASAL Advisor to provide technical expertise to Title II partners on options for ASAL areas.

Promotion of NGO/GOK/donor coordination efforts in emergency operations

The efforts of the UN, donors, NGOs, and GOK agencies need to be well coordinated to promote efficiency, determine priorities, avoid duplication of efforts, facilitate movement of relief commodities, and implement relief projects. Bringing together these agencies, with their competing interests, diverse backgrounds, and differing areas of competence, is an immense responsibility. Through monthly coordination meetings over the last five years, the GOK's ALRMP and the UN's WFP have jointly led coordination of emergency management.

During periods of actual emergency, more frequent coordination meetings are held. In addition, the GOK and the WFP organize and coordinate situational assessments with participation of all relevant agencies. The Mission will increase its support by:

- Increased Mission participation in NGO/GOK/donor coordination meetings.
- Increased Mission participation in joint emergency situation joint assessments.
- Use of FEWS Net information; and hiring of an ASAL advisor who will be the principle person for the Mission's emergency response.

Increased use of early warning system (EWS) information

Since emergencies, including droughts, cannot be predicted in the long term, early warning systems (EWS) will continue to play a key role in emergency management. Through FEWS Net, USAID is able to access high quality and regular reporting information on:

- Early warning of impending food shortages.
- Deficit and surplus-producing areas for grain market stabilization.
- Management of regional and national food shortages.
- Sectoral and inter-sectoral national planning with regard to food supply.

FEWS Net provides this information based on:

- Crop monitoring.
- Monitoring pastoral conditions and animal production in rangeland areas.
- Monitoring crop and livestock prices and input supplies.
- Meteorological reporting, with particular application to agricultural conditions.
- Monitoring the status of community and family food stocks, dietary intakes, and nutrition of certain population groups.
- Efficient data processing and inter-sectoral analysis.
- Relaying the results of the data collected—in a clear, understandable form—to all agencies responsible for action.
- Models to define the relationships that exist between the various factors that determine food availability.

On the basis of the reports compiled by the EWS, joint field assessments are organized. Field assessment teams assess the magnitude of food shortages through a series of indicators such as rainfall, pest and disease problems, crop performance, livestock status, market flows and prices, grain stock situation, food consumption, health and nutritional indicators, and a variety of social indicators. The conclusions of the assessments are submitted to the GOK and the international donor community through the coordination meetings.

OFDA supports UNICEF and partner NGOs to monitor health and nutritional status of vulnerable groups. This was key in the current drought in Kenya, since previous methodologies did not produce robust information on nutritional status.

USAID/Kenya will continue to use EWS information through:

- FEWS Net reports.
- GOK EWS reports.
- NGO reports.
- FEWS Net technical competence to ensure standardized PVO reporting on Title II areas.

GOK policy that promotes emergency response

GOK policy will improve emergency response in several key ways:

Strengthened GOK policy on targeting relief commodities

There continues to be excellent collaboration among the GOK, the WFP, and implementing NGOs in moving towards community-based targeting with food aid. Started in November 1999 on a pilot basis with Turkana district, community-based food aid targeting has been a successful departure from the old system of food aid distribution through the GOK's administrative structures. The new system consists of a District Steering Group (DSG) composed of relevant GOK line ministries, NGOs based in the district, and ALRMP. Each District's lead agency (usually an NGO) is responsible for receiving and accounting for all food aid provided to the District from the GOK, donors, and NGOs. The DSG, using information from the ALRMP and other EWS reports, decides on allocations at the divisional level. Partner Agencies (PAs), usually

NGOs, are appointed by the DSG to be responsible for managing distributions in one or more divisions. PAs are responsible for transporting food from central stores to distribution points. They sensitize local communities and facilitate formation of community-based Relief Committees (RCs). The RCs, in turn, select the households to receive food and also oversee actual distributions. The DSG makes district-level decisions, while the Kenya Food Security Steering Group (KFSSG) has input into national-level decisions and planning. The Mission will continue supporting this new targeting and distribution system.

More favorable GOK economic policy related to food security

The critical economic policy affecting food security, and more specifically drought response, is the GOK set of tariffs on commercial food imports. The GOK uses these tariffs to protect local producers from

(often cheaper) imported food. During harvest times, especially of maize and wheat, the GOK often raises import tariffs to levels that discourage potential imports of these commodities. However, most of the time—and especially during periods of food shortage in drought-prone marginal areas—high tariffs on commercial food imports severely hurt poor consumers by maintaining high prices. USAID/Kenya provides DA funding to Tegemeo Institute of Agricultural Policy Research to provide solid research and findings on food security in Kenya that is being used to inform stakeholders including the GOK on policies affecting food security. The Mission, in collaboration with other USG agencies and Tegemeo, will continue to engage the GOK in dialogue towards a sound policy on tariffs on commercial food imports as part of a long-term approach to sustainable and broad-based food security in the country.

PROPOSED COORDINATION STRATEGY

Resources

Core funding for the activities outlined in section III above will continue to be from BHR/FFP Title II, OFDA, USAID/Kenya DA, and from AFR/SD (for FEWS Net). The following table shows the approximate amount of funding that will be available from these sources. Title II emergency and USDA 416b relief food for direct feeding, (which, in the current drought response, totaled \$90 million) is not included.

Resource	2001	2002	2003	2004	2005
OFDA	5 m	1.5 m	0 m*	0 m*	0 m*
DA and Title II	7 m	10 m	10 m	10 m	10 m
Total	12 m	11.5 m	10 m	10 m	10 m

*OFDA funding is strictly contingent on emergency needs. Based on previous OFDA emergency responses in Kenya, a \$4 to \$6 million figure is being used to estimate amounts of possible OFDA funding. Funding will therefore range from low to high depending on the actual emergency situation every year. In a large emergency such as the current drought, OFDA funding reached \$5.7 mil., but in the out years, this will decrease substantially if no emergencies occur.

Funding for Title II development programs between 2002-2005 is a rough estimate. The projected increase in FY 2002 is due to additional resources being provided to implement the LIFE (Leadership and Investment in Fighting an Epidemic) Initiative for children affected by HIV/AIDS. This initiative will provide food for direct distribution for feeding children affected by HIV/AIDS.

USAID/Kenya , OFDA, and FFP collaboration

Collaboration among USAID/Kenya, FFP, and OFDA/ARO will be increased to the extent that current staff and resources allow. It must be recognized that all staff in these offices are extremely busy with commitments directly related to their own programs. However, all are committed to making a good faith effort to enhance and formalize coordination among OFDA, REDSO/FFP, and USAID/Kenya to ensure a consistent USG approach to emergency response, recovery, rehabilitation, and development. Thus, to the extent permitted by staff time and resources, all new OFDA and Title II development proposals for Kenya will be reviewed jointly. Recommendations for funding will be developed through joint reviews, and joint field trips may be undertaken to monitor implementation progress. This will help to better link OFDA emergency response type of activities with the more long-term Title II recovery activities.

With increased knowledge of each other's programs, OFDA and USAID/KENYA officers can identify opportunities to build

partnerships and bridge the relief to development gap.

The WFP/GOK-led multi-agency (drought) assessments are important tools to update donors and NGOs on the extent and nature of needs, especially in geographical areas where USAID has not funded projects before. OFDA and USAID/Kenya determine to be more substantively involved in such assessment missions and in geographical review teams (GRTs) in order to expand the USAID's knowledge base of vulnerability issues in different communities in Kenya.

The proposed collaboration will also clarify which organization (OFDA, FFP, and

USAID/Kenya) is doing what in an attempt to identify any gaps. Nevertheless, neither OFDA, FFP, nor USAID/Kenya can fully ensure that the gaps are always filled due to limited FFP, OFDA, and DA resources.

USAID/Kenya hopes that the hiring of the ASAL Advisor will provide better coordination among the three organizations.

Based on all the above elements, there will be more formal coordination and planning between USAID/Kenya and OFDA to improve programs and emergency response in ASAL areas not covered by Title II development activities.

COLLABORATION WITH DONORS, UN, NGOS

The Mission will continue collaboration with donors in areas related to emergency coordination and response. In December 1999, REDSO and the Organization of African Unity/Inter-African Bureau for Animal Resources (OAU/IBAR) co-funded a cross-border harmonization meeting in Lodwar aimed at resolving border conflicts among pastoralists in Kenya, Uganda, Sudan, and Ethiopia. In December 1999, OFDA/ARO and DFID co-funded a consultant to the GOK to assist with developing the community-based food aid targeting program. USAID/Kenya , OFDA/ARO, and REDSO, in collaboration with other donors, will continue engaging the GOK on dialogue regarding an effective GOK policy on tariffs on commercial imports of food that promotes improved food security for Kenya. The Mission, through its ASAL Advisor, will be able to participate more actively in discussions and meetings with donors, NGOs, International Organizations involved in

pastoral issues, drought response, household economies methodologies, etc. and therefore will have a more consistent role in these important areas that are related to effective emergency management. The Mission will continue to participate in the GOK drought coordination system jointly led by the GOK's ALRMP and the UN's WFP. Coordination is through meetings and multi-agency rapid assessments.

USAID/Kenya , REDSO, OFDA/ARO, the U.S. Embassy, BHR/FFP, and USDA/FAS have collaborated closely on donor coordination, FEWS, and reporting to Washington regarding drought and the food situation through participation in donor/GOK/NGO coordination meetings, regular briefings by USAID/FEWS Net, and submission of biweekly reports to Washington. The Mission plans to maintain this collaboration as emergency situations dictate.

